



Mangaung Metropolitan Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2019

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

General Information

| | |
|--|---|
| Legal form of entity | Municipality |
| Nature of business and principal activities | Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area |
| Grading of local authority | Metropolitan |
| Executive mayor | SM Mlamleli |
| Deputy Executive Mayor | LA Masoetsa |
| Speaker | MA Siyonzana |
| Mayoral committee | VE Jonas MM Mahase NP Monyakoana NA Morake J Nothnagel M Nkhabu XD Pongolo G Thipenyane LM Titi-Odili |
| Accounting Officer | Adv TB Mea |
| Chief Finance Officer (CFO) | S Mofokeng |
| Registered office | Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaff Street Bloemfontein 9301 |
| Postal address | PO Box 3704 Bloemfontein 9301 |
| Bankers | Nedbank ABSA Development Bank of South Africa First National Bank Standard Bank |
| Auditors | Auditor General of South Africa |
| Enabling legislation | Municipal Finance Management Act, (Act 56 of 2003) Municipal Systems Act, (Act 32 of 2000) Municipal Structures Act, (Act 117 of 1998) Municipal Property Rates Act, (Act 3 of 2017) Division of Revenue Act (Act 1 of 2018) Municipal Demarcation Act, (Act 27 of 1998) |

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Abbreviations

1. Abbreviations used within the annual financial statements

| | |
|-------|---|
| ACT | Actual |
| BAL | Balance |
| COID | Compensation for Occupational Injuries and Diseases |
| CPI | Consumer Price Index |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| FV | Fair Value |
| GRAP | Generally Recognised Accounting Practice |
| IAS | International Accounting Standards |
| IGRAP | Interpretation of the Standards of Generally Recognised Accounting Practice |
| IPSAS | International Public Sector Accounting Standards |
| MFMA | Municipal Finance Management Act, (Act 56 of 2003) |
| MSCOA | Municipal Standard Chart of Accounts |
| NERSA | National Energy Regulator of South Africa |
| NHFC | National Housing Finance Corporation |
| PAYE | Pay As You Earn |
| PPE | Property, Plant and Equipment |
| SALGA | South African Local Government Association |
| SARS | South African Revenue Service |
| SOC | State Owned Company |
| UIF | Unemployment Insurance Fund |
| VAR | Variance |
| VAT | Value Added Tax |
| WIP | Work-in-Progress |

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Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated annual financial statements are based upon appropriate accounting policies consistently applied, unless included in note 2, and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, (Act 56 of 2003), and has signed on behalf of the entity.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 42 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the entity's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future. Details regarding assumptions have been included in note 60.

Although the accounting officer is primarily responsible for the financial affairs of the entity, he is supported by the entity's external auditors to express an independent opinion on the fair presentation of the annual financial statements.

The external auditors are responsible for independently reviewing and reporting on the entity's consolidated annual financial statements.

The consolidated annual financial statements set out on pages 6 to 113, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2019 and signed:

Accounting Officer
Adv TB Mea

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The entity is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area and operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached consolidated annual financial statements and do not in my opinion require any further comment.

Net deficit of the entity was R 268,755,783 (2018: surplus R 571,735,788).

2. Going concern

I draw attention to the fact that at 30 June 2019, the entity had an accumulated surplus of R 13,261,604,736 and that the entity's total assets exceed its liabilities by R 15,754,765,382.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to note 60 for further details.

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 16 of 2019).

3. Accounting Officer's interest in contracts

None.

4. Accounting policies

The annual financial statements have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board, and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003). The accounting policies are presented on pages 13 to 45, and unless indicated in note 2 are consistent with the prior year.

5. Accounting officer

The accounting officer of the entity during the year and to the date of this report is as follows:

| | |
|------------|---------------|
| Name | Nationality |
| Adv TB Mea | South African |

Accounting Officer
Adv TB Mea

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

| Figures in Rand | Note(s) | 2019 | 2018 Restated* |
|---|---------|-----------------------|-----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 3 | 618,816,332 | 534,057,307 |
| Consumer receivables from non-exchange transactions | 4 | 685,067,543 | 540,840,543 |
| Consumer receivables from exchange transactions | 5 | 1,574,470,560 | 1,324,993,403 |
| Other receivables from non-exchange transactions | 6 | 606,414 | 2,765,266 |
| Other receivables from exchange transactions | 7 | 127,455,600 | 139,313,109 |
| Investments | 8 | - | 53,265,198 |
| Current portion of non-current receivables | 14 | 275,470 | 275,470 |
| Cash and cash equivalents | 9 | 127,986,225 | 235,901,913 |
| | | 3,134,678,144 | 2,831,412,209 |
| Non-Current Assets | | | |
| Investment property | 10 | 1,570,113,653 | 1,566,340,435 |
| Property, plant and equipment | 11 | 16,382,979,306 | 16,438,998,132 |
| Intangible assets | 12 | 103,319,572 | 108,037,874 |
| Heritage assets | 13 | 279,968,687 | 279,968,687 |
| Non-current receivables | 14 | 4,070,151 | 4,804,568 |
| Deferred tax | 15 | 454,432,719 | 372,919,868 |
| | | 18,794,884,088 | 18,771,069,564 |
| Total Assets | | 21,929,562,232 | 21,602,481,773 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 16 | 1,710,087,030 | 1,477,821,625 |
| Payables from non-exchange transactions | 17 | 286,291,274 | 263,546,889 |
| VAT payable | 18 | 19,817,660 | 9,398,294 |
| Consumer deposits | 19 | 148,402,252 | 148,411,801 |
| Unspent conditional grants and receipts | 20 | 459,078,487 | 329,735,327 |
| Current portion of Finance lease obligation | 21 | 28,654,747 | 16,108,277 |
| Current portion of Borrowings | 22 | 158,581,540 | 147,615,980 |
| Current portion of Provisions | 23 | 457,873,356 | 370,479,935 |
| Current portion of Employee benefit obligation | 24 | 1,569,000 | 821,000 |
| | | 3,270,355,346 | 2,763,939,128 |
| Non-Current Liabilities | | | |
| Finance lease obligation | 21 | 41,660,603 | 28,881,408 |
| Borrowings | 22 | 868,583,041 | 976,664,271 |
| Provisions | 23 | 178,043,636 | 178,043,636 |
| Employee benefit obligation | 24 | 557,528,163 | 519,652,035 |
| Deferred tax | 15 | 667,671,111 | 575,253,899 |
| FRESHCO liability | 25 | 191,903,926 | 206,031,823 |
| Land availability liability | 26 | 399,051,024 | 330,659,969 |
| | | 2,904,441,504 | 2,815,187,041 |
| Total Liabilities | | 6,174,796,850 | 5,579,126,169 |
| Net Assets | | 15,754,765,382 | 16,023,355,604 |
| Reserves | | | |
| Revaluation reserve | 27 | 2,402,238,396 | 2,426,263,790 |
| Other NDR | 28 | 60,000,000 | 60,000,000 |
| Self insurance reserve | 29 | 10,000,000 | 5,000,000 |
| COID reserve | 30 | 20,922,250 | 16,690,714 |
| Accumulated surplus | | 13,261,604,736 | 13,515,401,100 |
| Total Net Assets | | 15,754,765,382 | 16,023,355,604 |

* See Note 57

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Consolidated Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

| Figures in Rand | Note(s) | 2019 | 2018 Restated* |
|---|---------|------------------------|------------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 32 | 3,506,260,319 | 3,227,302,199 |
| Rental of facilities and equipment | 33 | 45,993,141 | 44,942,965 |
| Agency services | | 8,195,007 | 2,327,162 |
| Inventory reversals | | 1,112,666 | - |
| Other income from exchange transactions | 34 | 102,778,567 | 93,078,186 |
| Gain on derecognition of assets | | 1,000 | 18,273,426 |
| Interest received from exchange transactions | 35 | 239,296,706 | 219,097,435 |
| Fair value adjustments | 36 | 3,777,387 | - |
| Actuarial gains | | 9,843,938 | 417,177,889 |
| Dividends received | 35 | 1,420 | 4,087 |
| Total revenue from exchange transactions | | 3,917,260,151 | 4,022,203,349 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 37 | 1,209,977,460 | 1,158,216,167 |
| Transfer revenue | | | |
| Government grants & subsidies | 38 | 1,871,199,842 | 1,864,149,574 |
| Public contributions and donations | 39 | 2,894,962 | 279,365,801 |
| Fines, penalties and forfeits | 40 | 61,183,764 | 13,094,580 |
| Interest received from non-exchange transactions | 35 | 69,751,900 | 41,774,948 |
| Total revenue from non-exchange transactions | | 3,215,007,928 | 3,356,601,070 |
| Total revenue | 31 | 7,132,268,079 | 7,378,804,419 |
| Expenditure | | | |
| Employee related costs | 41 | (2,045,260,094) | (1,850,833,233) |
| Remuneration of councillors | 42 | (64,434,209) | (62,271,387) |
| Depreciation and amortisation | 43 | (955,604,678) | (878,504,295) |
| Impairment loss/ Reversal of impairments | 44 | (1,680,286) | (57,711,976) |
| Finance costs | 45 | (178,408,078) | (213,287,643) |
| Debt impairment and bad debt written off | 46 | (765,591,033) | (488,461,923) |
| Bulk purchases | 47 | (2,374,102,783) | (1,921,602,272) |
| Contracted services | 48 | (632,617,421) | (916,594,791) |
| Grants and subsidies paid | 49 | (6,659,800) | (4,468,967) |
| Loss on disposal of assets and liabilities | | (16,953,220) | (55,319,964) |
| Fair value adjustments | 36 | - | (18,066,225) |
| General expenses | 50 | (348,807,899) | (365,869,707) |
| Total expenditure | | (7,390,119,501) | (6,832,992,383) |
| (Deficit) surplus before taxation | | (257,851,422) | 545,812,036 |
| Taxation | 51 | (10,904,361) | 25,923,752 |
| (Deficit) surplus for the year | | (268,755,783) | 571,735,788 |

* See Note 57

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Consolidated Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

| Figures in Rand | Revaluation reserve | Other NDR | Insurance reserve | COVID reserve | Total reserves | Accumulated surplus | Total net assets |
|---|----------------------|-------------------|-------------------|-------------------|----------------------|-----------------------|-----------------------|
| Opening balance as previously reported | 2,455,360,588 | 60,000,000 | 5,000,000 | 14,482,139 | 2,534,842,727 | 12,947,664,585 | 15,482,507,312 |
| Adjustments | | | | | | | |
| Prior year adjustments | - | - | - | - | - | (32,243,756) | (32,243,756) |
| Balance at 01 July 2017 as restated* | 2,455,360,588 | 60,000,000 | 5,000,000 | 14,482,139 | 2,534,842,727 | 12,915,420,829 | 15,450,263,556 |
| Changes in net assets | | | | | | | |
| Surplus for the year | - | - | - | - | - | 571,735,788 | 571,735,788 |
| Revaluation of assets | 1,356,260 | - | - | - | 1,356,260 | - | 1,356,260 |
| Realisation of revaluation reserve | (30,453,058) | - | - | - | (30,453,058) | 30,453,058 | - |
| Contributions received | - | - | 160,822 | 3,643,518 | 3,804,340 | (3,804,340) | - |
| Insurance claims processed | - | - | (160,822) | (1,434,943) | (1,595,765) | 1,595,765 | - |
| Total changes | (29,096,798) | - | - | 2,208,575 | (26,888,223) | 599,980,271 | 573,092,048 |
| Opening balance as previously reported | 2,426,263,790 | 60,000,000 | 5,000,000 | 16,690,714 | 2,507,954,504 | 13,369,871,944 | 15,877,826,448 |
| Adjustments | | | | | | | |
| Prior year adjustments | - | - | - | - | - | 145,529,155 | 145,529,155 |
| Balance at 01 July 2018 as restated* | 2,426,263,790 | 60,000,000 | 5,000,000 | 16,690,714 | 2,507,954,504 | 13,515,401,099 | 16,023,355,603 |
| Changes in net assets | | | | | | | |
| Surplus for the year | - | - | - | - | - | (268,755,783) | (268,755,783) |
| Revaluation of assets | 289,355 | - | - | - | 289,355 | - | 289,355 |
| Realisation of the revaluation reserve through depreciation | (24,190,956) | - | - | - | (24,190,956) | 24,190,956 | - |
| Realisation of the revaluation reserve through disposal | (22,964) | - | - | - | (22,964) | - | (22,964) |
| Impairment losses on revalued capital assets | (100,829) | - | - | - | (100,829) | - | (100,829) |
| Contributions received | - | - | 5,094,475 | 5,450,081 | 10,544,556 | (10,544,556) | - |
| Insurance claims processed | - | - | (94,475) | (1,218,545) | (1,313,020) | 1,313,020 | - |
| Total changes | (24,025,394) | - | 5,000,000 | 4,231,536 | (14,793,858) | (253,796,363) | (268,590,221) |
| Balance at 30 June 2019 | 2,402,238,396 | 60,000,000 | 10,000,000 | 20,922,250 | 2,493,160,646 | 13,261,604,736 | 15,754,765,382 |
| Note(s) | 27 | 28 | 29 | 30 | | | |

* See Note 57

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

| Figures in Rand | Note(s) | 2019 | 2018 Restated* |
|---|---------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 3,756,985,167 | 3,649,832,325 |
| Grants | | 2,000,543,001 | 2,027,160,000 |
| Interest income | | 307,119,406 | 251,955,069 |
| Dividends received | | 1,420 | 4,087 |
| | | 6,064,648,994 | 5,928,951,481 |
| Payments | | | |
| Employee costs | | (2,057,441,989) | (1,877,698,900) |
| Suppliers | | (3,315,181,022) | (3,204,808,421) |
| Finance costs | | (14,803,163) | (3,231,585) |
| Grants paid | | (6,659,800) | (4,468,967) |
| | | (5,394,085,974) | (5,090,207,873) |
| Net cash flows from operating activities | 52 | 670,563,020 | 838,743,608 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 11 | (586,889,511) | (700,130,031) |
| Proceeds from sale of property, plant and equipment | 11 | 1,870,753 | 711,948 |
| Purchase of other intangible assets | 12 | (11,028,059) | (7,355,394) |
| Non-current financial assets | | 1,357,822 | (1,868,987) |
| Proceeds from sale of investments | | 53,265,198 | 109,456,423 |
| Interest Income | | 837,008 | 6,159,677 |
| | | (540,586,789) | (593,026,364) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (97,115,670) | (86,957,438) |
| Finance lease payments | | (25,415,372) | (15,056,588) |
| Consumer deposits | | (9,549) | (1,770,526) |
| Finance costs | | (115,351,328) | (123,558,099) |
| | | (237,891,919) | (227,342,651) |
| Net increase/(decrease) in cash and cash equivalents | | (107,915,688) | 18,374,593 |
| Cash and cash equivalents at the beginning of the year | | 235,901,913 | 217,527,320 |
| Cash and cash equivalents at the end of the year | 9 | 127,986,225 | 235,901,913 |

* See Note 57

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|------------------------|---|--------------------------|--|---|------------------------|------------------------|--------------------------|------------------------|-------------------------------------|--|
| 2019 | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | |
| Property rates | 1,127,398,719 | - | 1,127,398,719 | - | - | 1,127,398,719 | 1,209,977,460 | - | 82,578,741 | 107 % | 107 % |
| Service charges | 3,659,282,645 | 146,604,132 | 3,805,886,777 | - | - | 3,805,886,777 | 3,506,260,319 | - | (299,626,458) | 92 % | 96 % |
| Investment revenue | 26,006,989 | - | 26,006,989 | - | - | 26,006,989 | 20,723,919 | - | (5,283,070) | 80 % | 80 % |
| Transfers recognised - operational | 1,005,957,210 | 239,034,000 | 1,244,991,210 | - | - | 1,244,991,210 | 1,096,921,996 | - | (148,069,214) | 88 % | 109 % |
| Other own revenue | 485,453,111 | 324,868 | 485,777,979 | - | - | 485,777,979 | 521,211,577 | - | 35,433,598 | 107 % | 107 % |
| Total revenue (excluding capital transfers and contributions) | 6,304,098,674 | 385,963,000 | 6,690,061,674 | - | - | 6,690,061,674 | 6,355,095,271 | - | (334,966,403) | 95 % | 101 % |
| Employee costs | (1,947,213,675) | (46,098,089) | (1,993,311,764) | - | - | (1,993,311,764) | (2,045,260,094) | - | (51,948,330) | 103 % | 105 % |
| Remuneration of councillors | (63,341,967) | 180,411 | (63,161,556) | - | - | (63,161,556) | (64,434,209) | - | (1,272,653) | 102 % | 102 % |
| Debt impairment | (353,964,434) | - | (353,964,434) | - | - | (353,964,434) | (765,591,033) | - | (411,626,599) | 216 % | 216 % |
| Depreciation and asset impairment | (406,080,981) | - | (406,080,981) | - | - | (406,080,981) | (957,284,964) | - | (551,203,983) | 236 % | 236 % |
| Finance charges | (171,665,881) | 27,332,138 | (144,333,743) | - | - | (144,333,743) | (178,408,078) | - | (34,074,335) | 124 % | 104 % |
| Materials and bulk purchases | (2,093,290,696) | (89,342,329) | (2,182,633,025) | - | - | (2,182,633,025) | (2,374,102,783) | - | (191,469,758) | 109 % | 113 % |
| Transfers and grants | (10,272,733) | 2,498,404 | (7,774,329) | - | - | (7,774,329) | (6,659,800) | - | 1,114,529 | 86 % | 65 % |
| Other expenditure | (1,258,013,195) | (55,739,564) | (1,313,752,759) | - | - | (1,313,752,759) | (998,378,540) | - | 315,374,219 | 76 % | 79 % |
| Total expenditure | (6,303,843,562) | (161,169,029) | (6,465,012,591) | - | - | (6,465,012,591) | (7,390,119,501) | - | (925,106,910) | 114 % | 117 % |
| Surplus/(Deficit) | 255,112 | 224,793,971 | 225,049,083 | - | - | 225,049,083 | (1,035,024,230) | - | (1,260,073,313) | (460)% | (405,714)% |

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|------------------------|-------------------------------------|--|
| Transfers recognised - capital | 1,023,148,339 | (46,258,339) | 976,890,000 | - | | 976,890,000 | 774,277,846 | | (202,612,154) | 79 % | 76 % |
| Contributions recognised - capital and contributed assets | 10,318,000 | 444,339 | 10,762,339 | - | | 10,762,339 | 2,894,962 | | (7,867,377) | 27 % | 28 % |
| Surplus (Deficit) after capital transfers and contributions | 1,033,721,451 | 178,979,971 | 1,212,701,422 | - | | 1,212,701,422 | (257,851,422) | | (1,470,552,844) | (21)% | (25)% |
| Taxation | - | - | - | - | | - | (10,904,361) | | (10,904,361) | (100)% | (100)% |
| Surplus/(Deficit) for the year | 1,033,721,451 | 178,979,971 | 1,212,701,422 | - | | 1,212,701,422 | (268,755,783) | | (1,481,457,205) | (22)% | (26)% |

Capital expenditure and funds sources

| | | | | | | | | | | | |
|---------------------------------------|----------------------|--------------------|----------------------|----------|--|----------------------|--------------------|--|----------------------|-------------|-------------|
| Total capital expenditure | 1,130,453,436 | 218,670,806 | 1,349,124,242 | - | | 1,349,124,242 | 822,497,048 | | (526,627,194) | 61 % | 73 % |
| Sources of capital funds | | | | | | | | | | | |
| Transfers recognised - capital | 953,483,000 | (82,814,000) | 870,669,000 | - | | 870,669,000 | 552,627,256 | | (318,041,744) | 63 % | 58 % |
| Public contributions and donations | 10,318,000 | 5,651,378 | 15,969,378 | - | | 15,969,378 | 10,574,850 | | (5,394,528) | 66 % | 102 % |
| Borrowing | 33,188,260 | - | 33,188,260 | - | | 33,188,260 | 22,001,165 | | (11,187,095) | 66 % | 66 % |
| Internally generated funds | 133,464,176 | 295,833,428 | 429,297,604 | - | | 429,297,604 | 237,293,777 | | (192,003,827) | 55 % | 178 % |
| Total sources of capital funds | 1,130,453,436 | 218,670,806 | 1,349,124,242 | - | | 1,349,124,242 | 822,497,048 | | (526,627,194) | 61 % | 73 % |

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|-----------------------|---|--------------------------|--|---|-----------------------|-----------------------|--------------------------|------------------------|-------------------------------------|--|
| Financial Position & Cash flows | | | | | | | | | | | |
| Financial Position | | | | | | | | | | | |
| Total current assets | 4,671,736,883 | (39,915,703) | 4,631,821,180 | - | - | 4,631,821,180 | 3,134,678,144 | - | (1,497,143,036) | 68 % | 67 % |
| Total non-current assets | 17,638,316,464 | 218,670,801 | 17,856,987,265 | - | - | 17,856,987,265 | 18,794,884,088 | - | 937,896,823 | 105 % | 107 % |
| Total current liabilities | 2,619,465,927 | - | 2,619,465,927 | - | - | 2,619,465,927 | 3,270,355,346 | - | 650,889,419 | 125 % | 125 % |
| Total non-current liabilities | 2,773,713,266 | - | 2,773,713,266 | - | - | 2,773,713,266 | 2,904,441,504 | - | 130,728,238 | 105 % | 105 % |
| Community wealth / Equity | 16,916,874,154 | 178,755,098 | 17,095,629,252 | - | - | 17,095,629,252 | 15,754,765,382 | - | (1,340,863,870) | 92 % | 93 % |
| Cash flows | | | | | | | | | | | |
| Net cash from (used) operating | 959,241,153 | (1,032,841,038) | (73,599,885) | - | - | (73,599,885) | 670,563,020 | - | 744,162,905 | (911)% | 70 % |
| Net cash from (used) investing | (864,279,540) | 963,402,788 | 99,123,248 | - | - | 99,123,248 | (540,586,789) | - | (639,710,037) | (545)% | 63 % |
| Net cash from (used) financing | (135,804,694) | 40,369,355 | (95,435,339) | - | - | (95,435,339) | (237,891,919) | - | (142,456,580) | 249 % | 175 % |
| Net increase/(decrease) in cash and cash equivalents | (40,843,081) | (29,068,895) | (69,911,976) | - | - | (69,911,976) | (107,915,688) | - | (38,003,712) | 154 % | 264 % |
| Cash and cash equivalents at the beginning of the year | 437,477,058 | (148,309,949) | 289,167,109 | - | - | 289,167,109 | 235,901,913 | - | (53,265,196) | 82 % | 54 % |
| Cash and cash equivalents at year end | 396,633,977 | (177,378,844) | 219,255,133 | - | - | 219,255,133 | 127,986,225 | - | 91,268,908 | 58 % | 32 % |

Refer to note 69 for commentary on the changes from the original budget to the final budget as well as explanations for material differences between the final budget and the actual amounts.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These consolidated annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Consolidation

Basis of consolidation

Consolidated annual financial statements are the consolidated annual financial statements of the entity and its municipal entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's annual financial statements at the acquisition date.

The annual financial statements of the controlling entity and its loans to controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the annual financial statements of the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Adjustments are made when necessary to the annual financial statements of the loans to controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.2 Consolidation (continued)

A special purpose entity is consolidated when the substance of the relationship between the entity and the special purpose entity indicates that the special purpose entity is controlled by the entity.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

Trade receivables, loans and other receivables

The entity assesses its trade receivables, loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Where the impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, these are based on historical loss ratios. These annual loss ratios are applied to the balances in the portfolio. The impairment is measured as the difference between the receivables' carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired.

Allowance for slow moving, damaged and obsolete stock

An allowance is made for slow moving, damaged and obsolete inventory to write this inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

Fair value estimation

The fair value of financial instruments traded in active markets such as trading securities is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of heritage assets is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of heritage assets is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. The recoverable service amount of non-cash-generating assets have been determined on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of the tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates, inflation rates and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 23 - Provisions.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The entity's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policies 1.5 and 1.7. This estimate is based on industry norm.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual lives, management also makes these changes prospectively.

Employee benefit obligations

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 24.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Cost is the amount of cash or cash equivalents or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Although unlikely, if the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model in accordance with the accounting policy on Property, plant and equipment. The residual value of the investment property is then assumed to be zero. The entity applies the cost model in accordance with the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (refer to note 10).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others (other than investment property), or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings, water meters and zoo animals which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Depreciation and impairment

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, property, plant and equipment on the cost model is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life (years) |
|-------------------------------|---------------------|-----------------------------|
| Buildings | Straight line | 30 - 60 |
| Landfill sites | Straight line | 20-69 |
| Fire arms | Straight line | 5 - 40 |
| Environmental facilities | Straight line | 5 - 50 |
| Quarries | Straight line | 20-30 |
| Roads and stormwater | Straight line | 3 - 100 |
| Equipment under finance lease | Straight line | 3 - 5 |
| Community / Recreational | Straight line | 10 - 30 |
| Other assets | Straight line | 3 - 20 |
| Sewerage and mains | Straight line | 10 - 60 |
| Other vehicles | Straight line | 5 - 20 |
| Water and sewerage network | Straight line | 5 - 100 |
| Security | Straight line | 10 |
| Housing | Straight line | 30 - 60 |

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there is no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the 31. prior period error - taxation.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (refer to note 11).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (refer to note 11).

1.6 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Subsequent measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life (years) |
|-------------------|---------------------|-----------------------------|
| Computer software | Straight line | 3-30 |
| Servitudes | | Indefinite |

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.8 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The entity assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Compensation from third parties for items of heritage assets property that were impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (refer to note 13).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (refer to note 13).

1.9 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in a controlled entity is the aggregate of:
the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity;
plus
any costs directly attributable to the purchase of the controlled entity.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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Accounting Policies

1.10 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;

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Accounting Policies

1.10 Financial instruments (continued)

- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

- Financial instruments measured at fair value;
- Financial instruments measured at amortised cost;
- Financial instruments measured at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Accounting Policies

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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Accounting Policies

1.10 Financial instruments (continued)

The entity assess financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
 - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments);
 - or
 - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

Refer to notes 4, 5, 6 and 7 for the impact of the above application.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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Accounting Policies

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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Accounting Policies

1.10 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.11 Tax

VAT

The entity accounts for VAT on the accrual basis, and is liable for VAT on the payment basis. The entity is liable to account for VAT at the standard rate in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11 of the VAT Act, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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Accounting Policies

1.13 Inventories

The entity recognises inventories as an asset when;

- (a) it is probable that future economic benefits or service potential associate with the item will flow to the entity; and
- (b) the cost of the inventory can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation or amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

All assets of the entity are accounted for as non-cash generating assets.

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation or amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

All assets of the entity are accounted for as non-cash generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation or amortisation charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

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Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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Accounting Policies

1.16 Employee benefits (continued)

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is not presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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Accounting Policies

1.16 Employee benefits (continued)

Other post retirement obligations

The entity provides other long term employee benefits to qualifying employees in the form of long service award.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

The entity determines the present value of long term employee benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity uses the Projected Unit Credit Method to determine the present value of its long service employee benefit and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

1.17 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Commitments

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 53.

The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue from exchange transactions consists primarily of services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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Accounting Policies

1.19 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Rendering of services consist out of solid waste, sanitation, sewerage and water services.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Rental income

Leases revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term in accordance with the accounting policy on Leases.

Revenue arising from the use by others of entity assets yielding rental income is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the amount of the revenue can be measured reliably

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Revenue from non-exchange transactions consists primarily of grants from National - and Provincial Government, Property rates and Fines revenue.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised unless it is significant to the entity's operations, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in-kind

The entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

The above accounting policy on services in kind revenue has been included during the current financial year and is not regarded as a change in accounting policy, but rather to provide further details relating to services in kind.

Concessionary loans received

A concessionary loan is a loan granted to or received by a entity on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the 31. prior period error - taxation recognises revenue as and when it satisfies the conditions of the loan agreement.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Detailed disclosures are made in note 62 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Detailed disclosures are made in note 63 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act, (Act No. 56 of 2003) is expenditure incurred by a municipality or municipal entity that is not in accordance with or in contravention of:

- a) the MFMA, and which has not been condoned in terms of section 170;
- b) the Municipal Systems Act, (Act 32 of 2000) and which has not been condoned in terms of that act;
- c) the Public Office-Bearers Act, (Act No.20 of 1998)
- d) the requirements of a supply chain management policy of the municipality or municipal entity or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Detailed disclosures are made in note 64 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.27 Internal reserves

Self insurance reserve

The entity has a Self Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The balance of the Self Insurance Reserve is determined based on the insurance risk carried by the entity, which is calculated by the entity's insurance broker and is reinstated or increased by a transfer from or to the accumulated surplus or deficit.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.27 Internal reserves (continued)

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is determined by the Compensation Commissioner. The entity is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the entity is mandated to establish its own fund and administers this fund in terms of the COID Act.

Amounts are transferred to the COID reserve from the accumulated surplus or deficit based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus or deficit..

1.28 Revaluation reserve

The surplus arising from the revaluation of land, buildings, water meters and zoo animals is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

1.29 Segment information

Segmental information on property, plant and equipment, as well as income and expenditure is set out in Appendices F2 and F4, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the annual financial statements.

GRAP 18 has not been considered in developing these policies.

1.30 Budget information

The entity is subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on the accrual basis and presented by nature classification. The approved budget and the annual financial statements are not prepared on the same classification basis.

The annual budget figures included in the annual financial statements are for the entity and do not include budget information relating to subsidiaries. The separate budget for the entity has been recompiled for the presentation in the annual financial statements. The recompilation does not constitute changes or revisions of the consolidated budget as approved by the Council.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note 69 to the annual financial statements.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.31 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.33 Housing development arrangements

The entity grants the right to use properties to third parties by means of contractual agreements. These agreements are classified into two categories, namely the FRESHCO Agreement and the Land Availability Agreements.

The following properties, owned by the entity, are used by third parties to provide public services subject to the entity's control of the asset.

Brandwag Property;
Hillside View Property;
Vista Park Extension 2 Property; and
Vista Park Extension 3 Property.

These agreements are binding arrangements between the entity and the third party in which:

- The third party uses the specified asset to provide a public service on behalf of the entity for a specified period of time; and
- The third party is compensated for its services over the period of the arrangement, and/or upon completion of conditions specified within the contract, and/or upon the completion of the project.

The Properties are assets used to provide public services, in an arrangement, that:

- Are provided by the entity which:
- Are existing assets of the entity; or
- Are upgrade to existing assets of the entity; or
- Are provided by the third party which:
- Are existing assets of the third party; or
- Are constructed, developed, or acquired from a third party.

The entity shall recognize an asset provided by the third party and/or an upgrade to an existing asset of the entity if:

- The entity controls or regulates what services the third party must provide with the asset, to whom it must provide them, and at what price; and
- The entity controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

The entity shall initially measure the assets recognised at fair value.

The assets received shall subsequently be accounted for in accordance with the GRAP Standard applicable to the classification of the asset received. Including but not limited to GRAP 16 – Investment Property; GRAP 17 - Property, Plant, and Equipment; and GRAP 12 – Inventory.

Where the entity recognises an asset, the entity shall also recognise a liability.

The liability recognised shall be initially measured at the same amount as the asset, adjusted by the amount of any other consideration (e.g.cash) from the entity to the third party, or from the third party to the entity.

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the third party for the construction, development, acquisition, or upgrade of the property, and grants the third party the right to earn revenue from other third-party users or another revenue-generating asset, the entity shall account for the liability recognised as the unearned portion of the revenue arising from the exchange of assets between the entity and the third party.

The entity shall recognize revenue and reduce the liability recognised according to the economic substance of the arrangement.

The entity shall account for the revenues from the third party in accordance with GRAP 9 - Revenue from Exchange Transactions.

1.34 Advance receipts

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

All receipts received in advance are classified as non-exchange transactions as no approximate equal value is exchanged between the parties.

Refer to note 17 Payables from non-exchange transactions where these receipts in advance are disclosed.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Notes to the Consolidated Annual Financial Statements

Figures in Rand

2019

2018

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|--|
| • GRAP 12 (as amended 2016): Inventories | 01 April 2018 | The impact of the changes to the standard is not material to the entity. |
| • GRAP 16 (as amended 2016): Investment Property | 01 April 2018 | The impact of the changes to the standard is not material to the entity. |
| • GRAP 17 (as amended 2016): Property, Plant and Equipment | 01 April 2018 | The impact of the changes to the standard is not material to the entity. |
| • GRAP 21 (as amended 2016): Impairment of non-cash-generating assets | 01 April 2018 | The impact of the changes to the standard is not material to the entity. |
| • GRAP 26 (as amended 2016): Impairment of cash-generating assets | 01 April 2018 | The impact of the changes to the standard is not material to the entity. |
| • GRAP 27 (as amended 2016): Agriculture | 01 April 2018 | The impact of the changes to the standard is not material to the entity. |
| • GRAP 31 (as amended 2016): Intangible Assets | 01 April 2018 | The impact of the changes to the standard is not material to the entity. |
| • GRAP 103 (as amended 2016): Heritage Assets | 01 April 2018 | The impact of the changes to the standard is not material to the entity. |
| • Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities | 01 April 2018 | The impact of the directive is not material to the entity. |

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's 's accounting periods beginning on or after 01 July 2019 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|--|
| • GRAP 1 (amended): Presentation of Financial Statements | 01 April 2020 | Unlikely there will be a material impact |
| • GRAP 34: Separate Financial Statements | 01 April 2020 | Unlikely there will be a material impact |
| • GRAP 35: Consolidated Financial Statements | 01 April 2020 | Unlikely there will be a material impact |
| • GRAP 36: Investments in Associates and Joint Ventures | 01 April 2020 | Unlikely there will be a material impact |
| • GRAP 37: Joint Arrangements | 01 April 2020 | Unlikely there will be a material impact |
| • GRAP 38: Disclosure of Interests in Other Entities | 01 April 2020 | Unlikely there will be a material impact |
| • GRAP 110 (as amended 2016): Living and Non-living Resources | 01 April 2020 | Unlikely there will be a material impact |
| • IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue | 01 April 2020 | Unlikely there will be a material impact |
| • Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges | 01 April 2019 | Unlikely there will be a material impact |
| • Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 7 (as revised 2010): Investments in Associates | 01 April 2019 | Unlikely there will be a material impact |

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

| | | |
|--|-----------------------------|--|
| • GRAP 8 (as revised 2010): Interests in Joint Ventures | 01 April 2019 | Unlikely there will be a material impact |
| • Directive 7 (revised): The Application of Deemed Cost | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 18 (as amended 2016): Segment Reporting | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 20: Related parties | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 32: Service Concession Arrangements: Grantor | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 105: Transfers of functions between entities under common control | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 106 (as amended 2016): Transfers of functions between entities not under common control | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 107: Mergers | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 108: Statutory Receivables | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 109: Accounting by Principals and Agents | 01 April 2019 | Unlikely there will be a material impact |
| • IGRAP 11: Consolidation – Special purpose entities | 01 April 2019 | Unlikely there will be a material impact |
| • IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures | 01 April 2019 | Unlikely there will be a material impact |
| • IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset | No date has been determined | Unlikely there will be a material impact |
| • IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land | 01 April 2019 | Unlikely there will be a material impact |
| • IGRAP 19: Liabilities to Pay Levies | 01 April 2019 | Unlikely there will be a material impact |

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|--------------------|--------------------|
| 3. Inventories | | |
| Consumable stores | 5,518,901 | 7,447,257 |
| Fuel (diesel, petrol) | 519,098 | 806,675 |
| Maintenance materials | 1,097,664 | 726,483 |
| Raw materials, components | 87,664,166 | 99,748,852 |
| Unsold properties held for resale | 520,630,039 | 421,672,348 |
| Water in pipes and reservoirs | 3,386,464 | 3,655,692 |
| | 618,816,332 | 534,057,307 |
| Inventory recognised as an expense | | |
| Inventories recognised as an expense during the year | 84,915,426 | 135,625,338 |
| Inventories written off | 1,572,450 | 1,256,494 |
| | 86,487,876 | 136,881,832 |
| Inventory pledged as security | | |
| No inventory was pledged as security for any financial liability. | | |
| 4. Consumer receivables from non-exchange transactions | | |
| Rates - Gross balance | 1,324,898,673 | 1,053,159,087 |
| Rates - Impairment | (639,831,130) | (512,318,544) |
| | 685,067,543 | 540,840,543 |
| Rates ageing | | |
| Current (0 - 30 days) | 97,036,465 | 86,594,245 |
| 31 - 60 days | 62,220,818 | 50,925,673 |
| 61 - 90 days | 52,068,537 | 43,035,566 |
| 91+ days | 1,113,572,853 | 872,603,603 |
| Gross balance | 1,324,898,673 | 1,053,159,087 |
| Less: Allowance for impairment | (639,831,130) | (512,318,544) |
| | 685,067,543 | 540,840,543 |
| Summary by customer classification | | |
| Residential and sundry | | |
| Current (0 - 30 days) | 34,655,744 | 28,879,431 |
| 31 - 60 days | 20,541,907 | 15,527,807 |
| 61 - 90 days | 16,692,646 | 13,157,487 |
| 91+ days | 445,301,506 | 363,857,701 |
| Gross balance | 517,191,803 | 421,422,426 |
| Less: Allowance for impairment | (430,201,178) | (318,640,636) |
| | 86,990,625 | 102,781,790 |
| Business / commercial | | |
| Current (0 - 30 days) | 32,298,001 | 30,597,137 |
| 31 - 60 days | 14,159,977 | 11,544,818 |
| 61 - 90 days | 8,714,624 | 6,568,657 |
| 91+ days | 236,024,799 | 211,214,509 |
| Gross balance | 291,197,401 | 259,925,121 |
| Less: Allowance for impairment | (209,629,952) | (193,677,908) |
| | 81,567,449 | 66,247,213 |

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|--------------------|--------------------|
| 4. Consumer receivables from non-exchange transactions (continued) | | |
| Government | | |
| Current (0 - 30 days) | 30,082,720 | 27,117,677 |
| 31 - 60 days | 27,518,934 | 23,853,048 |
| 61 - 90 days | 26,661,267 | 23,309,422 |
| 91+ days | 432,246,548 | 297,531,393 |
| | 516,509,469 | 371,811,540 |

Consumer receivables from non-exchange transactions pledged as security

None of the consumer receivables from non-exchange transactions were pledged as security for any financial liability.

Credit quality of consumer receivables from non-exchange transactions

The credit quality of consumer receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Consumer receivables from non-exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

The credit quality of consumer receivables from non-exchange transactions was evaluated in terms of the risk group and aging of the individual receivable account.

Consumer receivables from non-exchange transactions past due but not impaired

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 114,289,355 (2018: R 93,961,239) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | | |
|-------------------|------------|------------|
| 1 month past due | 62,220,818 | 50,925,673 |
| 2 months past due | 52,068,537 | 43,035,566 |

Consumer receivables from non-exchange transactions impaired

As of 30 June 2019, consumer receivables from non-exchange transactions of R 639,831,130 (2018: R 512,318,544) were impaired and provided for.

The amount of the provision was R 639,831,130 as of 30 June 2019 (2018: R 512,318,544).

The ageing of these loans is as follows:

| | | |
|---------------|-------------|-------------|
| Over 3 months | 639,831,130 | 512,318,544 |
|---------------|-------------|-------------|

Reconciliation of provision for impairment of consumer receivables from non-exchange transactions

| | | |
|-------------------------------------|--------------------|--------------------|
| Opening balance | 512,318,544 | 564,138,416 |
| Provision for impairment adjustment | 127,512,586 | (51,819,872) |
| | 639,831,130 | 512,318,544 |

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from non-exchange transactions.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | 2019 | 2018 | |
|---|----------------------|------------------------|----------------------|
| 5. Consumer receivables from exchange transactions | | | |
| Net balance | | | |
| Electricity | 768,845,276 | 586,442,019 | |
| Water | 518,666,062 | 509,399,468 | |
| Sewerage | 237,476,630 | 184,490,756 | |
| Refuse | 45,867,627 | 41,650,284 | |
| Housing rental | 3,614,965 | 3,010,876 | |
| | 1,574,470,560 | 1,324,993,403 | |
| Net balance reconciliation - 2019 | Gross balance | Impairment | Net balance |
| Electricity | 947,929,998 | (179,084,722) | 768,845,276 |
| Water | 2,197,950,622 | (1,679,284,560) | 518,666,062 |
| Sewerage | 605,977,562 | (368,500,932) | 237,476,630 |
| Refuse | 254,651,093 | (208,783,466) | 45,867,627 |
| Housing rental | 30,206,747 | (26,591,782) | 3,614,965 |
| | 4,036,716,022 | (2,462,245,462) | 1,574,470,560 |
| Net balance reconciliation - 2018 | Gross balance | Impairment | Net balance |
| Electricity | 819,227,221 | (232,785,202) | 586,442,019 |
| Water | 2,011,165,474 | (1,501,766,006) | 509,399,468 |
| Sewerage | 478,480,207 | (293,989,451) | 184,490,756 |
| Refuse | 214,228,409 | (172,578,125) | 41,650,284 |
| Housing rental | 23,738,183 | (20,727,307) | 3,010,876 |
| | 3,546,839,494 | (2,221,846,091) | 1,324,993,403 |
| Electricity | | | |
| Current (0 -30 days) | 116,185,981 | | 105,980,289 |
| 31 - 60 days | 27,472,048 | | 26,709,265 |
| 61 - 90 days | 19,131,568 | | 18,044,918 |
| 91 + days | 624,094,919 | | 510,995,968 |
| Meter reading estimate | 165,064,827 | | 163,062,397 |
| Discounting | (1,229,163) | | (2,399,256) |
| Transfer to non-current receivables | (2,790,182) | | (3,166,360) |
| Gross balance | 947,929,998 | | 819,227,221 |
| Less: Allowance for impairment | (179,084,722) | | (232,785,202) |
| | 768,845,276 | | 586,442,019 |
| Water | | | |
| Current (0 - 30 days) | 95,998,388 | | 83,945,730 |
| 31 - 60 days | 61,304,263 | | 53,972,376 |
| 61 - 90 days | 55,692,092 | | 63,247,713 |
| 91+ days | 1,967,909,019 | | 1,785,972,279 |
| Meter reading estimate | 17,046,860 | | 24,027,376 |
| Gross balance | 2,197,950,622 | | 2,011,165,474 |
| Less: Allowance for impairment | (1,679,284,560) | | (1,501,766,006) |
| | 518,666,062 | | 509,399,468 |
| Sewerage | | | |
| Current (0 - 30 days) | 30,112,860 | | 26,244,000 |
| 31 - 60 days | 20,719,224 | | 17,525,414 |
| 61 - 90 days | 17,935,402 | | 16,642,596 |
| 91+ days | 537,210,076 | | 418,068,197 |
| Gross balance | 605,977,562 | | 478,480,207 |
| Less: Allowance for impairment | (368,500,932) | | (293,989,451) |
| | 237,476,630 | | 184,490,756 |

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|---|--------------------|--------------------|
| 5. Consumer receivables from exchange transactions (continued) | | |
| Refuse | | |
| Current (0 - 30 days) | 10,563,456 | 9,363,381 |
| 31 - 60 days | 7,703,608 | 6,702,037 |
| 61 - 90 days | 6,823,090 | 6,076,851 |
| 91+ days | 229,560,939 | 192,086,140 |
| Gross balance | 254,651,093 | 214,228,409 |
| Less: Allowance for impairment | (208,783,466) | (172,578,125) |
| | 45,867,627 | 41,650,284 |
| Housing rental | | |
| Current (0 - 30 days) | 1,498,538 | 1,193,953 |
| 31 - 60 days | 645,550 | 588,216 |
| 61 - 90 days | 648,973 | 560,562 |
| 91+ days | 27,413,686 | 21,395,452 |
| Gross balance | 30,206,747 | 23,738,183 |
| Less: Allowance for impairment | (26,591,782) | (20,727,307) |
| | 3,614,965 | 3,010,876 |
| Summary of debtors by customer classification | | |
| Residential and sundry | | |
| Current (0 - 30 days) | 105,306,601 | 90,197,665 |
| 31 - 60 days | 63,200,493 | 60,677,719 |
| 61 - 90 days | 59,290,919 | 63,363,146 |
| 91+ days | 2,214,327,070 | 1,973,099,662 |
| Meter reading estimate - Water | 17,046,860 | 24,027,376 |
| Meter reading estimate - Electricity | 165,064,827 | 163,062,397 |
| Discounting | (1,229,163) | (2,399,256) |
| Transferred to non-current receivables | (2,790,182) | (3,166,360) |
| Gross balance | 2,620,217,425 | 2,368,862,349 |
| Less: Allowance for impairment | (2,144,762,438) | (1,926,516,140) |
| | 475,454,987 | 442,346,209 |
| Business/ commercial | | |
| Current (0 - 30 days) | 111,458,021 | 106,305,332 |
| 31 - 60 days | 21,496,981 | 25,948,832 |
| 61 - 90 days | 13,783,043 | 20,541,494 |
| 91+ days | 386,737,875 | 512,785,835 |
| Gross balance | 533,475,920 | 665,581,493 |
| Less: Allowance for impairment | (317,482,524) | (295,329,951) |
| | 215,993,396 | 370,251,542 |
| National and provincial government | | |
| Current (0 - 30 days) | 37,594,102 | 30,224,357 |
| 31 - 60 days | 33,147,219 | 18,870,756 |
| 61 - 90 days | 27,157,162 | 20,668,001 |
| 91+ days | 785,123,694 | 442,632,539 |
| | 883,022,177 | 512,395,653 |

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| 5. Consumer receivables from exchange transactions (continued) | | |
| Total | | |
| Current (0 - 30 days) | 254,358,724 | 226,727,354 |
| 31 - 60 days | 117,844,693 | 105,497,307 |
| 61 - 90 days | 100,231,124 | 104,572,641 |
| 91+ days | 3,386,188,639 | 2,928,518,035 |
| Meter reading estimate - Water | 17,046,860 | 24,027,376 |
| Meter reading estimate - Electricity | 165,064,827 | 163,062,397 |
| Discounting | (1,229,163) | (2,399,256) |
| Transferred to non-current receivables | (2,790,182) | (3,166,360) |
| Gross balance | 4,036,715,522 | 3,546,839,494 |
| Less: Allowance for impairment | (2,462,244,962) | (2,221,846,091) |
| | 1,574,470,560 | 1,324,993,403 |

Consumer receivables from exchange transactions pledged as security

None of the consumer receivables from exchange transactions were pledged as security for any financial liability.

Credit quality of consumer receivables from exchange transactions

The credit quality of consumer receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Consumer receivables from exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Consumer receivables from exchange transactions past due but not impaired

At 30 June 2019, R 747,771,285 (2018: R 485,955,272) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | | |
|-------------------|-------------|-------------|
| 1 month past due | 204,025,330 | 94,033,681 |
| 2 months past due | 105,499,177 | 100,050,356 |
| 3 months past due | 438,246,778 | 291,871,235 |

Consumer receivables from exchange transactions impaired

As of 30 June 2019, consumer receivables from exchange transactions of R 2,462,245,462 (2018: R 2,221,846,091) were impaired and provided for.

The ageing of these loans is as follows:

| | | |
|-------------------|---------------|---------------|
| Current | 1,552,865 | 3,297,334 |
| 1 month past due | 1,526,608 | 3,268,987 |
| 2 months past due | 1,551,500 | 3,012,990 |
| 3 months past due | 174,453,749 | 118,483,661 |
| Over 3 months | 2,283,160,740 | 2,093,783,119 |

Reconciliation of allowance for impairment of consumer receivables from exchange transactions

| | | |
|--------------------------|----------------------|----------------------|
| Opening balance | 2,221,846,091 | 1,760,419,077 |
| Allowance for impairment | 240,399,371 | 461,427,014 |
| | 2,462,245,462 | 2,221,846,091 |

Due to the limitations on the financial system it is impractical to disclose the impaired interest on consumer receivables from exchange transactions.

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|--|----------------|------------------|
| 6. Other receivables from non-exchange transactions | | |
| Fines receivables | 274,227,999 | 225,777,675 |
| Fines receivables - Impairment | (273,621,585) | (225,777,675) |
| Grants receivables | 114,350,195 | 114,350,195 |
| Grants receivables - Impairment | (114,350,195) | (111,584,929) |
| | 606,414 | 2,765,266 |

Fines receivables consists out of debtors raised from Fines revenue as disclosed in note 40.

Grants receivables relates to VAT on grants in prior years claimed from National Treasury which has not yet been finalised.

Other receivables from non-exchange pledged as security

None of the other receivables from non-exchange transactions were pledged as security for any financial liability.

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

The entity does not hold any collateral as security.

Other receivables from non-exchange transactions impaired

As of 30 June 2019, other receivables from non-exchange transactions of R 387,971,780 (2018: R 337,362,604) were impaired and provided for.

The amount of the provision was R 387,971,780 as of 30 June 2018 (2018: R 337,362,604).

No amounts for other receivables from non-exchange transactions were past due but not impaired.

Reconciliation of provision for impairment of Fines receivables

| | | |
|-------------------------------------|--------------------|--------------------|
| Opening balance | 225,777,675 | 225,360,563 |
| Provision for impairment adjustment | 47,843,910 | 417,112 |
| | 273,621,585 | 225,777,675 |

Reconciliation of provision for impairment of Fines receivables

| | | |
|-------------------------------------|--------------------|--------------------|
| Opening balance | 111,584,929 | 69,563,667 |
| Provision for impairment adjustment | 2,765,266 | 42,021,262 |
| | 114,350,195 | 111,584,929 |

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| Figures in Rand | 2019 | 2018 |
|--|--------------------|--------------------|
| 7. Other receivables from exchange transactions | | |
| DOE Grant - Southern Free State Towns | 4,737,728 | 4,737,728 |
| Deferred lease expenditure | 516,625 | 213,062 |
| Deposits | 1,006,367 | 937,504 |
| Interest on investments | 203,598 | 25,403 |
| Kopanong Local Municipality | 15,540,615 | 17,732,260 |
| Mohokare Local Municipality | 36,173,210 | 35,288,566 |
| Other receivables | 3,982,161 | 2,945,235 |
| Overpayment of contractors | 21,661,661 | 21,661,661 |
| Overpayment of contractors - Impairment | (21,661,661) | - |
| Prepaid electricity vendors | 4,853,079 | 4,787,124 |
| Prepaid water vendors | 8,940,996 | - |
| Receipts reversals | 1,043,416 | 599,272 |
| Staff leave days receivable | 1,952,307 | 4,086,927 |
| Sundry debtors | 89,256,299 | 82,908,852 |
| Sundry debtors - Impairment | (40,750,801) | (36,610,485) |
| | 127,455,600 | 139,313,109 |

Other receivables from exchange transactions pledged as security

None of the other receivables from exchange transactions were pledged as security for any financial liability.

Credit quality of other receivables from exchange transactions

The credit quality of other receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the other receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 4,584,416 (2018: R 4,784,204) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | | |
|------------------|-----------|-----------|
| 1 month past due | 4,584,416 | 4,784,204 |
|------------------|-----------|-----------|

Other receivables from exchange transactions impaired

As of 30 June 2019, other receivables from exchange transactions of R 62,412,461 (2018: R 36,610,485) were impaired and provided for.

The amount of the provision was R 62,412,461 as of 30 June 2019 (2018: R 36,610,485).

The ageing of these loans is as follows:

| | | |
|---------------|------------|------------|
| Over 3 months | 62,412,461 | 36,610,485 |
|---------------|------------|------------|

Reconciliation of provision for impairment of other receivables from exchange transactions

| | | |
|-------------------------------------|-------------------|-------------------|
| Opening balance | 36,610,485 | 27,616,015 |
| Provision for impairment adjustment | 25,801,976 | 8,994,470 |
| | 62,412,461 | 36,610,485 |

Sundry debtors consist of debtors raised from other income from exchange transactions recognised (refer to note 34).

Due to the limitations on the financial system it is impractical to disclose the impaired interest on other receivables from exchange transactions.

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|-------------------------|----------|-------------------|
| 8. Investments | | |
| Bank investments | | |
| ABSA | - | 1,646,362 |
| Standard Bank | - | 51,618,836 |
| | - | 53,265,198 |

The investments are short-term fixed deposits for a period of less than 365 days which earn interest between 7.0% and 9.0%.

Fair value of the investments approximates the carrying value at 30 June 2018.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|--------------------|--------------------|
| Cash on hand | 133,749 | 142,549 |
| Bank balances | 43,443,151 | 98,725,733 |
| Short-term deposits | 84,409,325 | 137,033,631 |
| | 127,986,225 | 235,901,913 |

An unlimited surety is provided by Free State Provincial Government, National Treasury and the Development Bank of South Africa.

The total of the overdraft facility available to the entity is R50,000,000 (2018: R50,000,000).

There are no restrictions on the entity's ability to realise cash balances.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

| | | |
|----------------------|--------------------|--------------------|
| Credit rating | | |
| Aa1 | - | 235,759,363 |
| BB+ | 127,852,476 | - |
| | 127,852,476 | 235,759,363 |

Cash and cash equivalents pledged as collateral

| | | | |
|---|----|------------|------------|
| Total financial assets pledged as collateral for the COID Reserve | 30 | 21,909,130 | 16,340,245 |
| The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty. | | | |

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9. Cash and cash equivalents (continued)

The entity had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|-------------------------|-------------------|-------------------|--------------------|-------------------|--------------------|
| | 30 June 2019 | 30 June 2018 | 30 June 2017 | 30 June 2019 | 30 June 2018 | 30 June 2017 |
| Mangaung Metropolitan Municipality | | | | | | |
| Nedbank - Primary Account - 1186196793 | 20,122,282 | - | - | 20,122,283 | - | - |
| Nedbank - Traffic - 1186245379 | 1,590 | - | - | 1,590 | - | - |
| Nedbank - Charges - 1186660643 | (28,685) | - | - | (28,685) | - | - |
| Nedbank - Cashiers - 1186239778 | (6,667) | - | - | 939,907 | - | - |
| Nedbank - Fresh Produce Market - 1186414936 | 4,032,826 | - | - | 4,032,826 | - | - |
| Absa - Primary account - 470000465 | 4,502,279 | 12,015,461 | 48,057,521 | 4,502,279 | 12,015,461 | 48,057,521 |
| Absa - Fresh Produce - 470 001 348 | 468,986 | 4,469,209 | 4,307,048 | 468,986 | 4,471,209 | 4,307,048 |
| Absa - Direct deposits - 470 001 380 | - | - | - | - | 2,741,227 | 1,219,481 |
| Absa - Current account - 406 653 1831 | - | - | 1,137 | - | - | 1,137 |
| Absa - Current account - 186 027 0184 | - | - | 5,361,886 | - | - | 5,361,886 |
| First National Bank - Current account - 624 019 56729 | - | 659,524 | 336,848 | - | 659,524 | 336,848 |
| Centlec (SOC) Limited | | | | | | |
| ABSA bank - Cheque Account 4058833582 | 5,807,147 | 67,092,738 | 36,794,498 | 10,081,227 | 74,971,033 | 42,969,184 |
| ABSA bank - Cheque Account 4055133721 | 733 | 12,597 | 19,947 | 733 | 12,597 | 19,947 |
| ABSA bank - Cheque Account 470001402 | 5,497,729 | 3,598,112 | 2,441,731 | 5,498,154 | 3,605,869 | 2,382,682 |
| ABSA bank - Cheque Account 4054065339 | 59,655 | 292,339 | 45,648 | 64,395 | 300,339 | 51,948 |
| ABSA bank - Cheque Account 470001402 | (19,612) | 3,619 | 621 | (19,551) | 3,619 | 611 |
| ABSA bank - Cheque Account 4078209583 | 43,229 | 92,981 | 924,852 | (664,145) | (426,626) | (1,344,076) |
| ABSA bank - Cheque Account 4080522070 | 1,806 | 78,579 | 7,785 | 1,504 | 84,674 | 8,335 |
| ABSA bank - Cheque Account 4080521896 | 1,504 | 77,894 | 495 | (1,526,429) | 77,894 | 195 |
| ABSA bank - Cheque Account 9326102088 | 3,337 | 208,912 | 2,882 | (31,923) | 208,912 | (31,304) |
| Total | 40,488,139 | 88,601,965 | 98,302,899 | 43,443,151 | 98,725,732 | 103,341,443 |

During the current year the entity changed from ABSA to Nedbank as its primary bank.

Summary of short term deposits held

| | | |
|---|-------------------|--------------------|
| Short term deposits held with ABSA | 71,115,022 | 133,953,539 |
| Short term deposits held with FNB | 697,275 | 653,811 |
| Short term deposits held with Nedbank | 6,680,591 | 37,673 |
| Short term deposits held with Standard bank | 5,916,437 | 2,388,608 |
| | 84,409,325 | 137,033,631 |

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

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10. Investment property

| | 2019 | | | 2018 | | |
|---------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 1,570,113,653 | - | 1,570,113,653 | 1,566,340,435 | - | 1,566,340,435 |

Reconciliation of investment property - 2019

| | Opening balance | Fair value adjustments | Total |
|---------------------|-----------------|------------------------|---------------|
| Investment property | 1,566,340,435 | 3,773,218 | 1,570,113,653 |

Reconciliation of investment property - 2018

| | Opening balance | Fair value adjustments | Total |
|---------------------|-----------------|------------------------|---------------|
| Investment property | 1,584,411,863 | (18,071,428) | 1,566,340,435 |

Pledged as security

No investment property has been pledged as security for any financial liability.

Investment property in the process of being constructed or developed

No investment property are in the process of being constructed or developed.

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act, (Act 56 of 2003) is available for inspection at the registered office of the entity.

Details of valuation

The effective date of the revaluations was 30 June 2019. The entity's investment property was revalued by independent professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

The investment properties were revalued with reference to comparable market data where available, as well as information from the deeds office.

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11. Property, plant and equipment

| | 2019 | | | 2018 | | |
|--|-----------------------|---|-----------------------|-----------------------|---|-----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 1,622,341,736 | - | 1,622,341,736 | 1,630,620,435 | - | 1,630,620,435 |
| Buildings | 1,445,543,263 | (120,625,041) | 1,324,918,222 | 1,444,700,091 | (68,834,497) | 1,375,865,594 |
| Buildings - WIP | 12,662,932 | - | 12,662,932 | 12,234,500 | - | 12,234,500 |
| Infrastructure - Roads and roads related | 5,924,245,615 | (2,691,310,531) | 3,232,935,084 | 5,765,743,096 | (2,285,007,327) | 3,480,735,769 |
| Infrastructure - Water network | 2,430,741,979 | (860,195,182) | 1,570,546,797 | 2,310,506,742 | (775,867,904) | 1,534,638,838 |
| Infrastructure - Water meters | 181,388,508 | (17,217,733) | 164,170,775 | 136,321,816 | 1 | 136,321,817 |
| Infrastructure - Sanitation network | 3,445,274,047 | (740,958,982) | 2,704,315,065 | 3,046,489,508 | (616,874,263) | 2,429,615,245 |
| Infrastructure - Electricity network | 4,256,732,941 | (735,484,968) | 3,521,247,973 | 4,082,708,693 | (627,664,334) | 3,455,044,359 |
| Infrastructure - WIP | 700,576,285 | - | 700,576,285 | 910,580,980 | - | 910,580,980 |
| Community - Landfill sites and quarries | 677,961,142 | (448,040,290) | 229,920,852 | 590,567,722 | (418,700,277) | 171,867,445 |
| Community - Other | 1,308,997,823 | (548,553,285) | 760,444,538 | 1,306,726,495 | (485,031,209) | 821,695,286 |
| Community - WIP | 139,725,938 | - | 139,725,938 | 102,034,687 | - | 102,034,687 |
| Fleet | 517,512,281 | (196,080,413) | 321,431,868 | 467,282,719 | (168,142,505) | 299,140,214 |
| Other property, plant and equipment | 184,956,258 | (112,735,183) | 72,221,075 | 168,862,450 | (95,808,576) | 73,053,874 |
| Zoo animals | 5,520,165 | 1 | 5,520,166 | 5,549,815 | (726) | 5,549,089 |
| Total | 22,854,180,913 | (6,471,201,607) | 16,382,979,306 | 21,980,929,749 | (5,541,931,617) | 16,438,998,132 |

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

| | Opening balance | Additions | WIP Additions and WIP Transfers | Disposals | Transfers | Revaluations / Fair value adjustments | Depreciation | Impairment loss | Total |
|--|-----------------------|--------------------|---------------------------------------|---------------------|--------------------|---|----------------------|------------------|-----------------------|
| Land | 1,630,620,435 | 1,000 | - | (128,000) | (8,151,699) | - | - | - | 1,622,341,736 |
| Buildings | 1,375,865,594 | 3,790,713 | - | (26,038) | - | - | (54,712,047) | - | 1,324,918,222 |
| Buildings - WIP | 12,234,500 | 428,432 | - | - | - | - | - | - | 12,662,932 |
| Infrastructure - Roads and roads related | 3,480,735,769 | 33,681,173 | 127,632,555 | (1,516,705) | - | - | (407,597,708) | - | 3,232,935,084 |
| Infrastructure - Water network | 1,534,638,838 | 33,752,328 | 86,482,910 | - | - | - | (84,327,279) | - | 1,570,546,797 |
| Infrastructure - Water meters | 136,321,817 | 56,322,198 | - | (10,789,825) | - | - | (17,683,415) | - | 164,170,775 |
| Infrastructure - Sanitation network | 2,429,615,245 | 103,742,423 | 295,042,116 | - | - | - | (124,084,719) | - | 2,704,315,065 |
| Infrastructure - Electricity network | 3,455,044,359 | 87,015,980 | 87,310,849 | (118,239) | - | (100,829) | (107,904,147) | - | 3,521,247,973 |
| Infrastructure - WIP | 910,580,980 | 386,463,735 | (596,468,430) | - | - | - | - | - | 700,576,285 |
| Community - Landfill sites and quarries | 171,867,445 | - | - | - | - | 87,393,419 | (29,340,012) | - | 229,920,852 |
| Community - Other | 821,695,286 | 3,636,810 | 3,541,397 | (603,057) | - | - | (67,775,842) | (50,056) | 760,444,538 |
| Community - WIP | 102,034,687 | 41,232,648 | (3,541,397) | - | - | - | - | - | 139,725,938 |
| Fleet | 299,140,214 | 52,365,469 | - | (537,688) | - | - | (28,648,989) | (887,138) | 321,431,868 |
| Other property, plant and equipment | 73,053,874 | 21,148,458 | - | (983,321) | - | - | (20,996,041) | (1,895) | 72,221,075 |
| Zoo animals | 5,549,089 | 613,900 | - | (612,899) | - | 289,355 | (319,279) | - | 5,520,166 |
| | 16,438,998,132 | 824,195,267 | - | (15,315,772) | (8,151,699) | 87,581,945 | (943,389,478) | (939,089) | 16,382,979,306 |

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

| | Opening balance | Additions | WIP Additions & WIP Transfers | Disposals | Transfers | Revaluations / Fair value adjustments | Depreciation | Impairment loss | Total |
|---|-----------------------|----------------------|-------------------------------|---------------------|--------------------|---------------------------------------|----------------------|---------------------|-----------------------|
| Land | 1,631,143,799 | 31,000 | - | (64,364) | (490,000) | - | - | - | 1,630,620,435 |
| Buildings | 1,364,964,471 | 15,847,451 | 50,398,480 | - | - | - | (55,344,808) | - | 1,375,865,594 |
| Buildings - WIP | 56,670,185 | 5,962,795 | (50,398,480) | - | - | - | - | - | 12,234,500 |
| Infrastructure - Roads | 3,444,280,917 | 117,091,402 | 283,293,338 | (1,832,214) | - | - | (362,097,674) | - | 3,480,735,769 |
| Infrastructure - Water network | 1,593,821,710 | 3,412,248 | 28,182,077 | - | - | - | (90,777,197) | - | 1,534,638,838 |
| Infrastructure - Water meters | 167,220,052 | 29,718,025 | - | (24,482,382) | - | (23,776,372) | (12,357,506) | - | 136,321,817 |
| Infrastructure - Sanitation network | 2,071,311,969 | 137,356,783 | 328,192,255 | - | - | - | (107,245,762) | - | 2,429,615,245 |
| Infrastructure - Electricity network | 3,531,164,940 | 31,007,199 | 9,924,413 | (15,205) | - | - | (106,880,839) | (10,156,149) | 3,455,044,359 |
| Infrastructure - WIP | 1,188,930,509 | 411,170,313 | (649,592,083) | (39,927,759) | - | - | - | - | 910,580,980 |
| Community - Landfill sites and quarries | 164,692,740 | 32,395,357 | - | - | - | - | (25,220,652) | - | 171,867,445 |
| Community - Other | 589,397,833 | 275,853,493 | 21,666,893 | (4,053,061) | - | - | (61,169,872) | - | 821,695,286 |
| Community - WIP | 96,065,164 | 36,864,926 | (21,666,893) | (3,088,748) | (6,139,762) | - | - | - | 102,034,687 |
| Fleet | 282,041,916 | 40,143,728 | - | (2,681,193) | - | - | (20,364,237) | - | 299,140,214 |
| Other property, plant and equipment | 85,855,923 | 13,446,155 | - | (1,071,123) | - | - | (25,174,177) | (2,904) | 73,053,874 |
| Zoo animals | 5,467,742 | 1,039,800 | - | (356,253) | - | (591,085) | (11,115) | - | 5,549,089 |
| | 16,273,029,870 | 1,151,340,675 | - | (77,572,302) | (6,629,762) | (24,367,457) | (866,643,839) | (10,159,053) | 16,438,998,132 |

Pledged as security

No PPE has been pledged as security for any financial liability.

Assets subject to finance lease (Net carrying amount)

| | | |
|--------------------|-------------------|-------------------|
| Fleet | 80,061,375 | 56,702,366 |
| Office equipment | 4,229,837 | 6,341,864 |
| Centlec leased PPE | 69,391 | 189,304 |
| | 84,360,603 | 63,233,534 |

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11. Property, plant and equipment (continued)

Revaluations

Revaluation of land and buildings:

The effective date of the revaluations was 30 June 2017. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The values of the properties were determined based on the market values and the information obtained from the deeds office.

Revaluation of zoo animals:

The effective date of the revaluation was 30 June 2019. The revaluation is performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in valuations of zoo animals.

Revaluations of water meters:

The effective date of the revaluation was 30 June 2018. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the meters valued.

The valuations were performed after the following factors were taken into account:

- the useful lives and;
- the condition of the asset.

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act, (Act 56 of 2003) is available for inspection at the registered office of the entity.

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

| | | |
|--|-------------------|-------------------|
| Elite distribution centre project | - | 39,245,527 |
| The project was delayed due to the environmental impact assessment, planning and design process taking 18 months to complete, followed by an additional 6 month delay due to land and property disputes. The civil works on the project started during July 2017 and construction is still on-going. | | |
| Botshabelo substation and 132kv line project | 98,327,336 | - |
| The commissioning of the projects have been delayed as Eskom needs to do the necessary connections. This should take place in early 2019/2020. | | |
| | 98,327,336 | 39,245,527 |

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

| | | |
|--|------------------|-------------------|
| Project W1202F - Botshabelo Sanitation | - | 11,121,285 |
| The reason for the project being halted is due to the contractor abandoning the site. The outstanding work needs to be completed before the entity can commission the asset. | | |
| Contract C155 - Feasibility study for the relocation of the zoo | 1,126,720 | - |
| The project has been halted and no conclusion has been reached on further implementation. | | |
| | 1,126,720 | 11,121,285 |

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

| | | |
|---------------------|--------------------|--------------------|
| Contracted services | 219,677,657 | 366,566,863 |
| General expenses | 53,085,675 | 62,966,520 |
| | 272,763,332 | 429,533,383 |

Deemed cost

Deemed cost was determined using depreciated replacement cost.

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12. Intangible assets

| | 2019 | | | 2018 | | |
|-------------------|--------------------|---|--------------------|--------------------|---|--------------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 55,749,598 | (37,756,607) | 17,992,991 | 63,609,793 | (40,823,342) | 22,786,451 |
| Servitudes | 85,326,581 | - | 85,326,581 | 85,251,423 | - | 85,251,423 |
| Total | 141,076,179 | (37,756,607) | 103,319,572 | 148,861,216 | (40,823,342) | 108,037,874 |

Reconciliation of intangible assets - 2019

| | Opening balance | Additions | WIP | Disposals | Amortisation | Total |
|-------------------|--------------------|-------------------|---------------|--------------------|---------------------|--------------------|
| Computer software | 22,786,451 | 10,952,902 | - | (3,531,164) | (12,215,198) | 17,992,991 |
| Servitudes | 85,251,423 | - | 75,158 | - | - | 85,326,581 |
| | 108,037,874 | 10,952,902 | 75,158 | (3,531,164) | (12,215,198) | 103,319,572 |

Reconciliation of intangible assets - 2018

| | Opening balance | Additions | WIP | Amortisation | Total |
|-------------------|--------------------|------------------|---------------|---------------------|--------------------|
| Computer software | 27,039,245 | 7,329,419 | - | (11,582,213) | 22,786,451 |
| Servitudes | 85,225,448 | - | 25,975 | - | 85,251,423 |
| | 112,264,693 | 7,329,419 | 25,975 | (11,582,213) | 108,037,874 |

Pledged as security

No intangible assets has been pledged as security for any financial liability.

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets

| | | |
|------------|--------|---------|
| Servitudes | 75,158 | 148,871 |
|------------|--------|---------|

Intangible assets with indefinite useful lives

| | | |
|------------|------------|------------|
| Servitudes | 85,326,581 | 85,251,423 |
|------------|------------|------------|

The servitudes held by the entity are land rights that have been issued. The land held by the entity is deemed to have an indefinite useful life, including servitudes.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

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13. Heritage assets

| | 2019 | | | 2018 | | |
|-----------------|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Heritage assets | 279,968,687 | - | 279,968,687 | 279,968,687 | - | 279,968,687 |

Reconciliation of heritage assets 2019

| | Opening balance | Total |
|-----------------|-----------------|-------------|
| Heritage assets | 279,968,687 | 279,968,687 |

Reconciliation of heritage assets 2018

| | Opening balance | Transfers received | Revaluation increase/ (decrease) | Total |
|-----------------|-----------------|--------------------|----------------------------------|-------------|
| Heritage assets | 277,768,687 | 490,000 | 1,710,000 | 279,968,687 |

Pledged as security

No heritage assets has been pledged as security for any financial liability.

Revaluations

Heritage assets

The effective date of the revaluation was 30 June 2017. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The values of the properties were determined based on the market values and the information obtained from the deeds office.

The valuation was performed after the following factors were taken into account:

- the useful life of the asset;
- the condition of the asset; and
- the location of the asset.

During the 2017 financial year one of the heritage assets of the entity sustained fire damage and as a result has been impaired. In determining the value of the impairment, the entity has adopted the restoration cost approach as per GRAP 21. A restoration cost of R50,000,000 has been estimated by the entity's insurers.

The impairment loss calculated on the asset has been treated as a revaluation decrease and reversed against the revaluation reserve for assets carried at revalued amounts.

The revaluation amounting to R 1,710,000 in the 2018 financial year was due to the reclassification of the Arthur Nathan swimming pool from PPE to Heritage assets.

Heritage assets in the process of being constructed or developed

No heritage assets are in the process of being constructed or developed.

Deemed costs

Deemed cost was determined using depreciated replacement cost.

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|---|------------------|------------------|
| 14. Non-current receivables | | |
| Designated at fair value | | |
| 2535 Unlisted shares - OVK Limited | 37,022 | 35,558 |
| 2573 Unlisted shares - OVK Limited | 40,267 | 39,110 |
| 3685 Unlisted shares - Senwes Ltd | 26,859 | 25,313 |
| | 104,148 | 99,981 |
| At amortised cost | | |
| Housing and erven selling schemes | 12,507,581 | 12,438,305 |
| Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations over a period of 20 years. | | |
| Cricket stadium | 7,258,724 | 8,127,615 |
| The entity has a contract with the Free State Cricket Union for the purchase of the cricket stadium. The loan bears interest at 10% per annum and is repayable on an annual basis over 27 years ending 1 July 2022. | | |
| Kopanong Local Municipality | 909,504 | 1,089,432 |
| The capital funding provided to Kopanong Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bears interest at 10%. | | |
| Mohokare Local Municipality | 490,377 | 585,919 |
| The capital funding provided to Mohokare Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bears interest at 10%. | | |
| Consumer debtors - Arrangements | 2,790,182 | 3,166,360 |
| Consumer debtors with arrangements which stretches over a period longer than 12 months. | | |
| | 23,956,368 | 25,407,631 |
| Impairment - Housing and erven selling schemes | (12,456,171) | (12,299,959) |
| Impairment - Cricket stadium | (7,258,724) | (8,127,615) |
| | 4,241,473 | 4,980,057 |
| Total other financial assets | 4,345,621 | 5,080,038 |
| Non-current assets | | |
| Designated at fair value | 104,148 | 99,981 |
| At amortised cost | 3,966,003 | 4,704,587 |
| | 4,070,151 | 4,804,568 |
| Current assets | | |
| At amortised cost | 275,470 | 275,470 |

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14. Non-current receivables (continued)

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

| | | |
|---------------------------|---------|--------|
| Class 1 - Unlisted shares | 104,148 | 99,981 |
|---------------------------|---------|--------|

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 3

| | | |
|---------------------------|---------|--------|
| Class 1 - Unlisted shares | 104,148 | 99,981 |
|---------------------------|---------|--------|

Financial assets at amortised cost

Financial assets at amortised cost past due but not impaired

Other non-current receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2019, none of the non-current receivables were past due but not impaired.

Reconciliation of provision for impairment of financial assets at amortised cost

Impairment of Housing and erven selling schemes

| | | |
|-------------------------------------|-------------------|-------------------|
| Opening balance | 12,299,959 | 12,161,352 |
| Provision for impairment adjustment | 156,212 | 138,607 |
| | 12,456,171 | 12,299,959 |

Impairment of Cricket stadium

| | | |
|--------------------------|------------------|------------------|
| Opening balance | 8,127,615 | 8,741,638 |
| Provision for impairment | (868,891) | (614,023) |
| | 7,258,724 | 8,127,615 |

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

Financial assets pledged as collateral

None of the non-current receivables were pledged as security for any financial liability.

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|--|----------------------|----------------------|
| 15. Deferred tax | | |
| Deferred tax liability | | |
| Opening balance | (575,253,899) | (508,989,251) |
| Property, plant and equipment | (92,405,769) | (66,218,433) |
| Taxable temporary differences | (11,443) | (46,215) |
| Total deferred tax liability | (667,671,111) | (575,253,899) |
| Deferred tax asset | | |
| Opening balance | 372,919,868 | 280,731,467 |
| Taxable temporary differences | (9,006,334) | 6,618,814 |
| Tax losses available for set off against future taxable income | 90,519,185 | 85,569,587 |
| Total deferred tax asset | 454,432,719 | 372,919,868 |
| Deferred tax liability | (667,671,111) | (575,253,899) |
| Deferred tax asset | 454,432,719 | 372,919,868 |
| Total net deferred tax liability | (213,238,392) | (202,334,031) |
| Reconciliation of deferred tax asset \ (liability) | | |
| At beginning of year | (202,334,031) | (228,257,785) |
| Depreciable assets | (92,405,769) | (66,218,432) |
| Finance lease | 824 | (21,904) |
| Provisions | (9,018,601) | 6,594,503 |
| Assessed loss | 90,519,185 | 85,569,587 |
| | (213,238,392) | (202,334,031) |

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable surpluses in excess of the surpluses arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a deficit in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

The deferred tax asset arose as a result of the municipal entity not having been subject to income tax in the past. However in the 2014/15 financial year the municipal entity had to account for income tax which resulted in the wear and tear allowances being in excess of the available surplus. The municipal entity has the ability to generate profit in the foreseeable future against which temporary differences will be utilised.

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15. Deferred tax (continued)

Deferred tax assumptions

As at 30 June 2016 no guidance was received from SARS on the transition from a tax exempt entity to a taxable entity. Due to this, uncertainties in the calculation of the municipal entity's taxation exist and will continue to exist going forward until a pronouncement is made by SARS on the municipal entity's tax calculation. In the absence of a pronouncement from SARS and the fact that the municipal entity is no longer tax exempt, the municipal entity had to make certain key assumptions relating to income- and deferred tax to be able to account for tax. These assumptions are set out as follows:

Infrastructure assets

The base cost for the electrical infrastructure assets of the municipal entity was determined by using the audited infrastructure fixed asset register. The tax exemption for the municipal entity was no longer applicable as at the 1 July 2014, on this date the municipal entity embarked on an exercise to determine the base cost for each of the Infrastructure assets. The closing balance for the 2013/2014 financial year was deemed as the most accurate value to be used as the base cost and carrying values for tax purposes moving forward. Up until 1 July 2014 management had never claimed any wear & tear on infrastructure assets. The base cost was therefore the deemed cost as at 1 July 2014.

Infrastructure assets of the municipal entity are all carried on the revaluation model as per General Recognised Accounting Standards 17 - Property plant and equipment. There is no General Recognised Accounting Standards standard applicable to taxation, therefore the municipal entity referred to the international accounting standards (IAS) for further guidance, which is IAS 12: Income taxation. Through inspection of the income tax act and the practice notes it was noted that there was no clear guidance regarding the write off periods for electrical infrastructure assets. Due to this Section 12D of the income tax action was deemed as the best alternative to use to determine the write off periods for most of the electrical infrastructure assets. Section 12D was applied to the following electrical infrastructure assets: High Voltage conductors, Medium Voltage conductors, Low Voltage conductors and the Streetlights. All other categories of infrastructure assets could operate independent of transmission lines and Section 12D would not be applicable to these assets.

As per the Income Tax Act, 1962 (Act 58 of 1962) the kind of information that could be useful in determining the expected useful life of an asset/write off period include:

- Independent engineering information;
- The taxpayer's own past experience with similar assets;

Based on the above and due to insufficient guidance in the Income Tax Act, 1962 (Act 58 of 1962) the option of best professional judgement in determining an accurate write off period for the Infrastructure assets was used as follows:

- For all the distribution lines and cables a 5% write off period was used
- For all other infrastructure assets a 5 year write off period was adopted as the assets have been in operation for some time and as per the engineering information they cannot fall within Section 12D of the Income Tax Act, 1962 (Act 58 of 1962) .

Section 12 of the Income Tax Act, 1962 (Act 58 of 1962) was applied therefore no apportionment of the wear and tear was done. The wear and tear of assets is the amount that the South African Receiver of Revenue considers an appropriate write off timeframe for each asset.

The wear and tear was calculated as follows:

- The depreciated replacement cost was taken per asset and any addition for the year was added and this value was multiplied by 20%.
- When an asset is disposed of during the financial year wear and tear is still calculated for that asset and an inspection for a possible recoupment is done.

Non-Infrastructure assets

All assets other than infrastructure assets were written off by making use of Practice note 19.

Debt impairment

The provision for debt impairment is limited as a tax deduction to the extent that the originating revenue was taxable. Since the municipal entity was tax exempt for a period the revenue recognised and subsequently impaired during this period could not fully be included as a tax deduction. Due to this only the movement in the debt impairment for the year when the municipal entity first became taxable was used in calculating the tax.

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|--|----------------------|----------------------|
| 16. Payables from exchange transactions | | |
| Accrued bonus | 44,823,792 | 38,729,852 |
| Accrued leave pay | 160,057,650 | 116,070,182 |
| Claims - Unfair dismissal | 4,879,817 | 4,879,817 |
| Deferred revenue | 13,037,709 | 13,008,695 |
| Electricity connections | 12,781,371 | 16,225,872 |
| Mantsopa Local Municipality | 2,665,081 | 4,881,798 |
| Operating expense accrual | 27,361,544 | 22,598,036 |
| Other Creditors | 26,000 | - |
| Other payables - Grants | 979,450 | 979,450 |
| Other payables - Salary related | 74,462,602 | 68,200,953 |
| Retentions | 100,601,114 | 122,639,795 |
| Trade payables | 1,180,915,091 | 989,824,931 |
| Unallocated consumer and vendor payments received in advance | 87,495,809 | 79,782,244 |
| | 1,710,087,030 | 1,477,821,625 |

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the year was 142 days (2018: 142 days).

During the financial year, the entity entered into a payment arrangement with Bloemwater for the payment of its arrear water account.

17. Payables from non-exchange transactions

| | | |
|------------------------------|--------------------|--------------------|
| Deposits | 858,889 | 770,892 |
| Other | 2,416,377 | 2,151,474 |
| Payments received in advance | 283,016,008 | 260,624,523 |
| | 286,291,274 | 263,546,889 |

18. VAT payable

| | | |
|-------------|------------|-----------|
| VAT payable | 19,817,660 | 9,398,294 |
|-------------|------------|-----------|

VAT is payable on the payment basis. VAT is paid over to SARS only once payment is received from debtors.

Disclosure in terms of the MFMA

| | | |
|------------------------------|-------------------|------------------|
| Opening balance | 9,398,294 | 12,199,030 |
| VAT payable | 35,352,865 | 34,805,371 |
| VAT Claimed not yet received | (24,933,499) | (37,606,107) |
| | 19,817,660 | 9,398,294 |

19. Consumer deposits

| | | |
|-------------|--------------------|--------------------|
| Electricity | 115,053,108 | 114,471,056 |
| Water | 33,349,144 | 33,940,745 |
| | 148,402,252 | 148,411,801 |

Guarantees in lieu of consumer deposits for water amounted to R 2,517,079 (2018: R 3,768,899).

Guarantees in lieu of vendor deposits for electricity amounted to R 2,153,891 (2018: R 13,723,891).

Guarantees in lieu of consumer deposits for electricity amounted to R 37,859,074 (2018: R 36,645,499).

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|---|--------------------|--------------------|
| 19. Consumer deposits (continued) | | |
| Fair value hierarchy | | |
| For financial liabilities recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels: | | |
| Level 1 represents those liabilities which are measured using unadjusted quoted prices in active markets for identical liabilities. | | |
| Level 2 applies inputs other than quoted prices that are observable for the liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices). | | |
| Level 3 applies inputs which are not based on observable market data. | | |
| Fair values of financial liabilities measured or disclosed at fair value | | |
| Level 1 | | |
| Water & electricity | 148,402,252 | 148,411,801 |
| 20. Unspent conditional grants and receipts | | |
| Unspent conditional grants and receipts comprises of: | | |
| City of Ghent - Youth development grant | 481,950 | 481,950 |
| Department of telecoms and postal services grant | 1,133,554 | 1,133,554 |
| Expanded public work programme incentive grant | 1,963,000 | - |
| Integrated city development grant | 3,428,424 | - |
| Municipal disaster recovery grant | 139,630,132 | - |
| Municipal human settlement capacity grant | 2,000,000 | 2,000,000 |
| Municipal systems improvement grant | 1,055,000 | - |
| Neighbourhood development grant | 3,732,275 | - |
| Public transport infrastructure grant | 59,771,976 | 85,317,578 |
| Sports, arts and culture - Admin libraries grant | 710,188 | 627,315 |
| Sustainable human settlement grant | 1,595,782 | 1,595,782 |
| Urban settlement development grant | 243,576,206 | 238,579,148 |
| | 459,078,487 | 329,735,327 |
| The amounts will be recognised as revenue when conditions have been met. | | |
| Refer to note 38 for reconciliation of grants from National/Provincial Government. | | |
| 21. Finance lease obligation | | |
| Finance lease obligation | 70,315,350 | 44,989,685 |
| Minimum lease payments due | | |
| - within one year | 34,898,379 | 21,266,958 |
| - in second to fifth year inclusive | 45,209,027 | 32,143,393 |
| | 80,107,406 | 53,410,351 |
| less: future finance charges | (9,792,056) | (8,420,666) |
| Present value of minimum lease payments | 70,315,350 | 44,989,685 |
| Present value of minimum lease payments due | | |
| - within one year | 28,654,747 | 16,108,277 |
| - in second to fifth year inclusive | 41,660,603 | 28,881,408 |
| | 70,315,350 | 44,989,685 |
| Non-current liabilities | 41,660,603 | 28,881,408 |
| Current liabilities | 28,654,747 | 16,108,277 |
| | 70,315,350 | 44,989,685 |

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21. Finance lease obligation (continued)

The entity leases various equipment and vehicles under finance leases. The maximum lease term is between 2 and 5 years and the average borrowing rate is between 9% and 15%. Leases are not renewed automatically upon expiry, unless otherwise instructed by the entity.

No arrangements have been entered into for contingent rent.

The entity did not default on any of the finance lease obligations, whether it be on the capital or interest portion.

None of the terms attached to the existing finance lease obligations were renegotiated.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

22. Borrowings

At amortised cost

| | | |
|-------------------------------|----------------------|----------------------|
| DBSA - FS1034/01 | 112,439,845 | 120,690,447 |
| DBSA - FS1034/02 | 31,904,514 | 34,969,692 |
| DBSA - 6100 7294 | 241,645,066 | 266,779,287 |
| Standard Bank - Loan 33714314 | 223,488,090 | 248,193,557 |
| ABSA - Loan | 417,687,066 | 453,647,268 |
| | 1,027,164,581 | 1,124,280,251 |

Total borrowings

1,027,164,581 **1,124,280,251**

These loans are from ABSA, The Development Bank of South Africa and Standard Bank of South Africa Limited. Repayments are made either monthly or on a six monthly basis. The final loan will be redeemed at 30 October 2027 and the loans bear interest between 6% and 14%.

Non-current liabilities

At amortised cost 868,583,041 976,664,271

Current liabilities

At amortised cost 158,581,540 147,615,980

Defaults and breaches

The following loans were in default as a result of not meeting capital repayment requirements as per the contractual arrangements.

All the loans were remedied through payment of the accrued capital and interest amounts on the 10th July 2019. There were no renegotiations of the borrowing required.

| Loans | Carrying amount as at 30 June 2019 | Principal paid | Interest paid | Payment after 30 June 2019 |
|------------------|------------------------------------|-------------------|-------------------|----------------------------|
| DBSA - FS1034/01 | 112,439,845 | 817,111 | 1,077,674 | 1,894,785 |
| DBSA - FS1034/02 | 31,904,514 | 278,170 | 164,089 | 442,259 |
| DBSA - 61007294 | 241,645,066 | 12,940,623 | 12,138,430 | 25,079,053 |
| | 385,989,425 | 14,035,904 | 13,380,193 | 27,416,097 |

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23. Provisions

| | | |
|----------------------------------|--------------------|--------------------|
| Rehabilitation of landfill sites | 237,366,838 | 209,514,769 |
| Rehabilitation of quarry sites | 398,550,154 | 339,008,802 |
| | 635,916,992 | 548,523,571 |

Reconciliation of provisions - 2019

| | Opening Balance | Re-assessment | Total |
|----------------------------------|--------------------|-------------------|--------------------|
| Rehabilitation of landfill sites | 209,514,769 | 27,852,069 | 237,366,838 |
| Rehabilitation of quarry sites | 339,008,802 | 59,541,352 | 398,550,154 |
| | 548,523,571 | 87,393,421 | 635,916,992 |

Reconciliation of provisions - 2018

| | Opening Balance | Re-assessment | Total |
|----------------------------------|--------------------|-------------------|--------------------|
| Rehabilitation of landfill sites | 196,335,873 | 13,178,896 | 209,514,769 |
| Rehabilitation of quarry sites | 319,792,341 | 19,216,461 | 339,008,802 |
| | 516,128,214 | 32,395,357 | 548,523,571 |

| | | |
|-------------------------|--------------------|--------------------|
| Non-current liabilities | 178,043,636 | 178,043,636 |
| Current liabilities | 457,873,356 | 370,479,935 |
| | 635,916,992 | 548,523,571 |

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2019 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 12.074% (2018: 1.66%) for the circumstances of the entity.

| Landfill sites consists of: | Restoration date: |
|-----------------------------------|-------------------|
| Botshabelo Landfill Site | 2116 |
| Northern Landfill Site | 2020 |
| Southern Landfill Site | 2037 |
| Van Stadensrus Landfill Site | 2033 |
| Wepener Landfill Site | 2034 |
| Dewetsdorp | 2019 |
| Soutpan/Ikgomotseng Landfill site | 2023 |

The final restoration of landfill sites are expected to be in the year listed above, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

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23. Provisions (continued)

Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2019 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the quarry sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 12.074% (2018: 1.65%) for the circumstances of the entity.

| Quarries consists of: | Restoration date: |
|-----------------------|-------------------|
| <u>Bloemfontein</u> | |
| Cecelia | 2019 |
| Sunnyside | 2019 |
| Kgotsong | 2019 |
| Ipopeng | 2019 |
| Chris Hani | 2019 |
| Caleb Motsoabi | 2019 |
| N1 | 2019 |
| | |
| <u>Botshabelo</u> | |
| K-Section | 2019 |
| F1-Section | 2019 |
| F2.1-Section | 2019 |
| F2.2-Section | 2019 |
| W-Section | 2019 |
| S-Section | 2019 |
| B-Section | 2019 |
| | |
| <u>Thaba Nchu</u> | |
| Seroala | 2019 |
| Thubisi | 2019 |
| Putsane | 2019 |
| Merino | 2019 |
| Rhakoi | 2019 |
| Sediba | 2019 |
| Rooibult | 2019 |
| Kgalala | 2019 |
| Baraclava 1 | 2019 |
| Baraclava | 2019 |
| Bultfontein 3 | 2019 |
| Modutung | 2019 |
| Talla | 2019 |
| Nogas Post | 2019 |

The final restoration of quarry sites are expected to be in the year listed above, being the estimated useful lives of quarry sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

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24. Employee benefit obligations

Defined benefit plan

The defined benefit liability as disclosed below is represented by three different post-employment benefits. None of the benefits set out below are externally funded.

Post retirement medical aid plan

Active members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of an active member is entitled to a 60% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member's death.

Continuation members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of a continuation member is entitled to a 60% subsidy of their contributions.

Pension benefits

Pension gratuities are payable to retired employees and pensioners who were in service of the council on or before 1 October 1981, who did not qualify to be members of the Free State Joint Municipal Pension Fund or Free State Local Government Pension Fund, or who were not members of a pension fund by this date, with 20 years of uninterrupted service and a minimum retirement age of 60 years have been obtained.

Long service award

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

The amounts recognised in the statement of financial position are as follows:

Carrying value

| | | |
|---|----------------------|----------------------|
| Present value of the defined benefit obligation-wholly unfunded | 559,097,163 | 520,473,035 |
| Non-current liabilities | (557,528,163) | (519,652,035) |
| Current liabilities | (1,569,000) | (821,000) |
| | (559,097,163) | (520,473,035) |

Changes in the present value of the defined benefit obligation are as follows:

| | | |
|--------------------------|--------------------|--------------------|
| Opening balance | 520,473,035 | 841,139,000 |
| Interest costs | 48,431,779 | 86,479,000 |
| Current service costs | 28,916,911 | 35,969,000 |
| Benefits paid | (28,880,624) | (25,936,076) |
| Actuarial (gains)/losses | (9,843,938) | (417,177,889) |
| | 559,097,163 | 520,473,035 |

Changes in present value of defined benefit obligation

| 2016 | Pension fund | Medical aid | Long service award | Total |
|---|------------------|--------------------|--------------------|--------------------|
| Defined benefit obligation as at 30 June 2015 | 4,934,000 | 557,178,000 | 84,353,000 | 646,465,000 |
| Interest cost | 405,000 | 53,241,000 | 7,107,000 | 60,753,000 |
| Current service cost | 47,000 | 27,719,000 | 9,294,000 | 37,060,000 |
| Benefits paid | (322,000) | (9,138,000) | (6,578,822) | (16,038,822) |
| Actuarial (gains)/losses | (247,000) | (2,563,000) | 5,130,822 | 2,320,822 |
| | 4,817,000 | 626,437,000 | 99,306,000 | 730,560,000 |

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | 2019 | 2018 | | |
|---|---------------------|--------------------|---------------------------|--------------------|
| 24. Employee benefit obligations (continued) | | | | |
| 2017 | Pension fund | Medical aid | Long service award | Total |
| Defined benefit obligation as at 30 June 2016 | 4,817,000 | 626,437,000 | 99,306,000 | 730,560,000 |
| Incorporation of the former Naledi Local Municipality | - | 1,027,000 | 2,652,000 | 3,679,000 |
| Interest cost | 452,000 | 58,835,000 | 8,319,000 | 67,606,000 |
| Current service cost | (1,020,000) | 45,058,000 | 3,313,000 | 47,351,000 |
| Benefits paid | (114,000) | (10,680,000) | (7,847,000) | (18,641,000) |
| Actuarial (gains)/losses | (372,000) | (2,661,000) | 13,617,000 | 10,584,000 |
| | 3,763,000 | 718,016,000 | 119,360,000 | 841,139,000 |
| 2018 | Pension fund | Medical aid | Long service award | Total |
| Defined benefit obligation as at 30 June 2017 | 3,763,000 | 718,016,000 | 119,360,000 | 841,139,000 |
| Interest cost | 362,000 | 77,211,000 | 8,906,000 | 86,479,000 |
| Current service cost | 1,118,000 | 17,342,000 | 17,509,000 | 35,969,000 |
| Benefits paid | (503,000) | (9,276,000) | (16,157,076) | (25,936,076) |
| Actuarial (gains)/losses | (2,397,848) | (401,482,476) | (13,297,565) | (417,177,889) |
| | 2,342,152 | 401,810,524 | 116,320,359 | 520,473,035 |
| 2019 | Pension fund | Medical aid | Long service award | Total |
| Defined benefit obligation as at 30 June 2018 | 2,342,152 | 401,810,524 | 116,320,359 | 520,473,035 |
| Interest cost | 179,117 | 38,634,213 | 9,618,449 | 48,431,779 |
| Current service cost | - | 17,068,182 | 11,848,729 | 28,916,911 |
| Benefits paid | (275,952) | (11,960,432) | (16,644,240) | (28,880,624) |
| Actuarial gains/losses | 36,438 | (7,088,805) | (2,791,571) | (9,843,938) |
| | 2,281,755 | 438,463,682 | 118,351,726 | 559,097,163 |
| Estimated future contributions | Pension fund | Medical aid | Long service award | Total |
| Defined benefit obligation as at 30 June 2019 | 2,281,755 | 438,463,682 | 118,351,726 | 559,097,163 |
| Interest cost | 155,741 | 41,031,448 | 9,151,254 | 50,338,443 |
| Current service cost | - | 17,039,615 | 11,505,917 | 28,545,532 |
| Benefits paid | (290,016) | (13,411,651) | (14,400,965) | (28,102,632) |
| | 2,147,480 | 483,123,094 | 124,607,932 | 609,878,506 |

25. FRESHCO liability

| | | |
|-------------------|-------------|-------------|
| FRESHCO Liability | 191,903,926 | 206,031,823 |
|-------------------|-------------|-------------|

The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households. The agreement commenced on 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 5% annually. The rental amount is included in note 33 – Rental of facilities and equipment.

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence. FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

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|--|--------------------|--------------------|
| 26. Land availability liability | | |
| Hillside view | 394,864,380 | 330,659,969 |
| Vista Park 2 | 4,186,644 | - |
| | 399,051,024 | 330,659,969 |

Hillside view:

The entity has entered into an agreement with a developer to implement and pursue a programme of land development which will provide infrastructure and housing suitable for low to medium income households. The agreement commenced on 10 July 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period.

In terms of the agreement, the developer will develop 762 erven in Mangaung Extension 34, and 1580 erven in Mangaung Extension 35. This development will be known as the Hillside Development.

The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, and the infrastructure services.

The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.

The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.

The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.

The buildings retained by the entity shall be capitalised throughout the development process.

27. Revaluation reserve

| | | |
|---|----------------------|----------------------|
| Opening balance | 2,426,263,790 | 2,455,360,588 |
| Revaluation of assets | 289,355 | 1,356,260 |
| Realisation of revaluation reserve - through depreciation | (24,190,956) | (30,453,058) |
| Realisation of revaluation reserve - through disposal | (22,964) | - |
| Impairment losses on revalued capital assets | (100,829) | - |
| | 2,402,238,396 | 2,426,263,790 |

There are no restrictions on the distribution of the revaluation reserve.

28. Other non-distributable reserve

| | | |
|---------------------------------|------------|------------|
| Other non-distributable reserve | 60,000,000 | 60,000,000 |
|---------------------------------|------------|------------|

In accordance with the terms of the NERSA agreement it was agreed that R60,000,000 is to be held as a non-distributable reserve.

29. Self insurance reserve

| | | |
|----------------------------|-------------------|------------------|
| Opening balance | 5,000,000 | 5,000,000 |
| Contributions received | 5,094,475 | 160,822 |
| Insurance claims processed | (94,475) | (160,822) |
| | 10,000,000 | 5,000,000 |

30. COID reserve

| | | |
|----------------------------|-------------------|-------------------|
| Opening balance | 16,690,714 | 14,482,139 |
| Contributions received | 5,450,081 | 3,643,518 |
| Insurance claims processed | (1,218,545) | (1,434,943) |
| | 20,922,250 | 16,690,714 |

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|---|----------------------|----------------------|
| 31. Revenue | | |
| Service charges | 3,506,260,319 | 3,227,302,199 |
| Rental of facilities and equipment | 45,993,141 | 44,942,965 |
| Agency services | 8,195,007 | 2,327,162 |
| Inventory reversals | 1,112,666 | - |
| Other income from exchange transactions | 102,778,567 | 93,078,186 |
| Gain on derecognition of assets | 1,000 | 18,273,426 |
| Interest received from exchange transactions | 239,296,706 | 219,097,435 |
| Fair value adjustments | 3,777,387 | - |
| Actuarial gains/losses | 9,843,938 | 417,177,889 |
| Dividends received | 1,420 | 4,087 |
| Property rates | 1,209,977,460 | 1,158,216,167 |
| Government grants & subsidies | 1,871,199,842 | 1,864,149,574 |
| Public contributions and donations | 2,894,962 | 279,365,801 |
| Fines, penalties and forfeits | 61,183,764 | 13,094,580 |
| Interest received from non-exchange transactions | 69,751,900 | 41,774,948 |
| | 7,132,268,079 | 7,378,804,419 |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Service charges | 3,506,260,319 | 3,227,302,199 |
| Rental of facilities and equipment | 45,993,141 | 44,942,965 |
| Agency services | 8,195,007 | 2,327,162 |
| Inventory reversals | 1,112,666 | - |
| Other income from exchange transactions | 102,778,567 | 93,078,186 |
| Gain on derecognition of assets | 1,000 | 18,273,426 |
| Interest received from exchange transactions | 239,296,706 | 219,097,435 |
| Fair value adjustments | 3,777,387 | - |
| Actuarial gains/losses | 9,843,938 | 417,177,889 |
| Dividends received | 1,420 | 4,087 |
| | 3,917,260,151 | 4,022,203,349 |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Taxation revenue | | |
| Property rates | 1,209,977,460 | 1,158,216,167 |
| Transfer revenue | | |
| Government grants & subsidies | 1,871,199,842 | 1,864,149,574 |
| Public contributions and donations | 2,894,962 | 279,365,801 |
| Fines, penalties and forfeits | 61,183,764 | 13,094,580 |
| Interest received from non-exchange transactions | 69,751,900 | 41,774,948 |
| | 3,215,007,928 | 3,356,601,070 |
| 32. Service charges | | |
| Sale of electricity - Conventional meters | 1,405,258,202 | 1,336,581,864 |
| Sale of electricity - Prepaid meters | 858,188,299 | 775,472,615 |
| Sale of water - Conventional meters | 756,641,825 | 681,679,218 |
| Sale of water - Prepaid meters | 41,220,347 | 22,998,374 |
| Sewerage and sanitation charges | 323,382,930 | 300,459,125 |
| Refuse removal | 120,875,772 | 109,493,017 |
| Other service charges | 692,944 | 617,986 |
| | 3,506,260,319 | 3,227,302,199 |
| 33. Rental of facilities and equipment | | |
| Facilities and equipment | | |
| Rental of facilities | 44,671,361 | 43,595,645 |
| Rental of equipment | 1,321,780 | 1,347,320 |
| | 45,993,141 | 44,942,965 |

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|--|--------------------|---------------------|
| 34. Other income from exchange transactions | | |
| Advertising | 2,291,551 | 7,397,461 |
| Building plan fees | 5,635,138 | 5,856,668 |
| Clearance certificates | 2,970,018 | 2,698,541 |
| Commission - Fresh produce market | 23,954,183 | 23,391,929 |
| Credit control fees | 8,925,800 | 4,186,863 |
| Entrance fees | 1,343,670 | 1,329,508 |
| Grave plots | 3,438,295 | 3,433,967 |
| Insurance collection | 5,872,585 | 4,423,290 |
| New connections | 20,415,044 | 16,773,369 |
| Parking | 1,329,788 | 1,325,540 |
| Reimbursements | - | 750,000 |
| Sale of tender documents | 1,306,349 | 1,868,818 |
| Service concession revenue* | 16,512,837 | 9,649,099 |
| Sundry income | 4,966,365 | 3,735,590 |
| Training | 3,816,944 | 6,257,543 |
| | 102,778,567 | 93,078,186 |
| * The service concession revenue relates to the revenue recognised from the Land availability liability. Refer to note 26 for further details. | | |
| 35. Interest, dividends and rent on land | | |
| Dividend revenue | | |
| Unlisted financial assets - Local | 1,420 | 4,087 |
| Interest revenue | | |
| Interest on bank investments | 837,008 | 6,159,677 |
| Interest earned on cash and cash equivalents | 19,886,912 | 23,748,786 |
| Interest received - SARS | - | 80,125 |
| Interest charged on consumer and other receivables from exchange transactions | 217,411,730 | 186,351,210 |
| Interest charged on consumer and other receivables from non-exchange transactions | 69,751,900 | 41,774,948 |
| Interest on non-current receivables | 619,296 | 702,957 |
| Interest received - Eskom deposit | 68,864 | - |
| Rent on land | 2,272 | 2,193 |
| Sale of erven | 470,624 | 2,052,487 |
| | 309,048,606 | 260,872,383 |
| | 309,050,026 | 260,876,470 |
| 36. Fair value adjustments | | |
| Investment property (Fair value model) | 3,773,218 | (18,071,428) |
| Non-current financial assets at fair value | 4,169 | 5,203 |
| | 3,777,387 | (18,066,225) |

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|---------------------------------------|------------------------|------------------------|
| 37. Property rates | | |
| Rates received | | |
| Residential and business / commercial | 962,468,282 | 911,212,768 |
| Government | 247,509,178 | 247,003,399 |
| | 1,209,977,460 | 1,158,216,167 |
| Valuations | | |
| Residential | 67,983,442,143 | 67,533,088,917 |
| Commercial | 21,322,728,293 | 21,633,104,283 |
| Government | 13,527,418,019 | 13,364,844,096 |
| Municipal | 4,315,506,158 | 4,328,270,158 |
| | 107,149,094,613 | 106,859,307,454 |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R 80,000 of the rateable value of residential property is exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholdings and farms used solely for residential and agricultural purposes.

In respect of qualifying senior citizens and disabled persons, the first R 250,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,000,000.

2019:

From 1 July 2018 the basic rates were adjusted as follows:

- R0.001873 on the value of rateable farm property
- R0.007491 on the value of rateable residential property
- R0.030770 on the value of rateable government property
- R0.030770 on the value of rateable business/commercial property
- R0.001873 on the value of public service infrastructure

2018:

From 1 July 2017 the basic rates were adjusted as follows:

- R0.001750 on the value of rateable farm property
- R0.007001 on the value of rateable residential property
- R0.028757 on the value of rateable government property
- R0.028757 on the value of rateable business/commercial property
- R0.001750 on the value of public service infrastructure

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| Figures in Rand | 2019 | 2018 |
|--|----------------------|----------------------|
| 38. Government grants and subsidies | | |
| Operating grants | | |
| Equitable share | 683,500,000 | 630,908,000 |
| Fuel levy | 308,296,000 | 292,971,000 |
| Finance management grant | 3,345,000 | 3,645,000 |
| Sports, arts and culture - Admin libraries grant | 1,917,128 | 2,000,000 |
| Municipal demarcation grant | - | 9,912,048 |
| Expanded public works programme incentive grant | 460,000 | 7,629,000 |
| Public transport infrastructure and network system grant | - | 69,121,878 |
| Municipal disaster recovery grant | 99,403,868 | - |
| | 1,096,921,996 | 1,016,186,926 |
| Capital grants | | |
| Urban settlement development grant | 542,413,124 | 706,072,958 |
| Public transport infrastructure and network systems grant | 203,519,697 | 101,099,311 |
| Integrated city development grant | 3,778,576 | 12,264,477 |
| Neighbourhood development grant | 9,116,449 | 5,525,902 |
| Telecoms and postal | - | 3,000,000 |
| National electrification programme grant | 15,450,000 | 20,000,000 |
| | 774,277,846 | 847,962,648 |
| | 1,871,199,842 | 1,864,149,574 |
| Equitable Share | | |
| Current year receipts | 683,500,000 | 630,908,000 |
| Conditions met - transferred to revenue | (683,500,000) | (630,908,000) |
| | - | - |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. | | |
| Fuel levy | | |
| Current-year receipts | 308,296,000 | 292,971,000 |
| Conditions met - transferred to revenue | (308,296,000) | (292,971,000) |
| | - | - |
| The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund. | | |
| City of Ghent - Youth development grant | | |
| Balance unspent at beginning of year | 481,950 | 481,950 |
| Conditions still to be met - remain liabilities (see note 20). | | |
| The grant is given by the City of Ghent for youth development. | | |
| Finance management grant | | |
| Current-year receipts | 3,345,000 | 3,645,000 |
| Conditions met - transferred to revenue | (3,345,000) | (3,645,000) |
| | - | - |
| The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA. | | |

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| 38. Government grants and subsidies (continued) | | |
| Municipal human settlement capacity grant | | |
| Balance unspent at beginning of year | 2,000,000 | - |
| Current-year receipts | - | 2,000,000 |
| | 2,000,000 | 2,000,000 |

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlement programmes.

National electrification programme grant

| | | |
|---|--------------|--------------|
| Current-year receipts | 15,450,000 | 20,000,000 |
| Conditions met - transferred to revenue | (15,450,000) | (20,000,000) |
| | - | - |

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and the rehabilitation of electrification infrastructure. Projects related to the grant are implemented by the municipal entity, Centlec (SOC) Limited.

Sports, arts and culture - Admin libraries

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | 627,315 | 627,315 |
| Current-year receipts | 2,000,000 | 2,000,000 |
| Conditions met - transferred to revenue | (1,917,127) | (2,000,000) |
| | 710,188 | 627,315 |

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to fund the administration of public libraries within the Mangaung Metropolitan Municipality area.

Municipal demarcation transition grant

| | | |
|---|---|-------------|
| Balance unspent at beginning of year | - | 8,431,226 |
| Current-year receipts | - | 4,566,000 |
| Conditions met - transferred to revenue | - | (9,644,243) |
| Surrendered to National Treasury | - | (3,352,983) |
| | - | - |

The purpose of the grant is to subsidise the additional institutional and administrative costs arising from major boundary changes that took effect at the time of the 2016 local government elections.

Expanded public works programme incentive grant

| | | |
|---|------------------|-------------|
| Balance unspent at beginning of year | - | 3,293,070 |
| Current-year receipts | 2,423,000 | 7,629,000 |
| Conditions met - transferred to revenue | (460,000) | (7,629,000) |
| Surrendered to National Treasury | - | (3,293,070) |
| | 1,963,000 | - |

The purpose of the grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

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| 38. Government grants and subsidies (continued) | | |
| Municipal systems improvement grant | | |
| Current-year receipts | 1,055,000 | - |
| Conditions still to be met - remain liabilities (see note 20). | | |
| The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal System Act, the Municipal Rates Act and related legislation | | |
| Municipal disaster recovery grant | | |
| Current-year receipts | 239,034,000 | - |
| Conditions met - transferred to revenue | (99,403,868) | - |
| | 139,630,132 | - |
| Conditions still to be met - remain liabilities (see note 20). | | |
| The purpose of the grant is to assist municipalities that have been severely impacted by the drought with the reconstruction and rehabilitation of municipal infrastructure. | | |
| Urban settlement development grant | | |
| Balance unspent at beginning of year | 238,579,148 | 82,229,207 |
| Current-year receipts | 706,402,000 | 861,307,000 |
| Conditions met - transferred to revenue | (542,413,123) | (704,957,059) |
| Surrendered to National Treasury | (158,991,819) | - |
| | 243,576,206 | 238,579,148 |
| Conditions still to be met - remain liabilities (see note 20). | | |
| The purpose of the grant is to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households. | | |
| During the current year R49,814,000 were withheld due to slow implementation of projects. The grant was subsequently forfeited. | | |
| Public transport infrastructure and network systems grant | | |
| Balance unspent at beginning of year | 85,317,578 | 22,228,517 |
| Current-year receipts | 234,831,000 | 231,637,000 |
| Conditions met - transferred to revenue | (203,519,697) | (168,547,939) |
| Surrendered to National Treasury | (56,856,905) | - |
| | 59,771,976 | 85,317,578 |
| Conditions still to be met - remain liabilities (see note 20). | | |
| The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with agreed project plans. | | |
| Integrated city development grant | | |
| Balance unspent at beginning of year | - | 4,858,068 |
| Current-year receipts | 7,207,000 | 8,224,000 |
| Conditions met - transferred to revenue | (3,778,576) | (13,082,068) |
| | 3,428,424 | - |
| Conditions still to be met - remain liabilities (see note 20). | | |
| The purpose of the grant is to provide a financial incentive for metropolitan municipalities to achieve a more compact urban spatial form through integrating and focusing their use of available infrastructure investment and regulatory instruments. | | |

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| 38. Government grants and subsidies (continued) | | |
| Neighbourhood development grant | | |
| Balance unspent at beginning of year | - | 36,080,946 |
| Current-year receipts | 13,000,000 | 5,000,000 |
| Conditions met - transferred to revenue | (9,116,449) | (4,999,999) |
| Surrendered to National Treasury | (151,276) | (36,080,947) |
| | 3,732,275 | - |

Conditions still to be met - remain liabilities (see note 20).

This grant is to be used for the development of urban network plans, to improve the quality of life and access of residents in under-served neighbourhoods.

During the prior year R10,000,000 was withheld by National Treasury due to slow implementation of the projects related to the grant.

Department of telecoms and postal services

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 1,133,554 | 4,133,554 |
| Conditions met - transferred to revenue | - | (3,000,000) |
| | 1,133,554 | 1,133,554 |

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to develop information and communication technology (ICT) policies and legislation that create favourable conditions for accelerated and shared sustainable economic growth that positively impacts on the wellbeing of all South Africans.

Sustainable human settlement grant

| | | |
|--------------------------------------|-----------|-----------|
| Balance unspent at beginning of year | 1,595,782 | 1,595,782 |
|--------------------------------------|-----------|-----------|

Conditions still to be met - remain liabilities (see note 20).

The grant is used to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 16 of 2019), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

39. Public contributions and donations

| | | |
|--|-----------|-------------|
| Capital public contributions, donations and asset gains* | 2,894,962 | 279,365,801 |
|--|-----------|-------------|

*During the prior year the Dr. Petrus Molemela Stadium, formerly known as Seisa Ramabodu Stadium were officially transferred to the entity.

40. Fines, penalties and forfeits

| | | |
|--------------------------------------|-------------------|-------------------|
| Fines | 55,979,355 | 9,141,891 |
| Unclaimed deposits and stale cheques | 5,204,409 | 1,280,387 |
| Forfeits | - | 2,672,302 |
| | 61,183,764 | 13,094,580 |

Mangaung Metropolitan Municipality

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41. Employee related costs

| | | |
|--|----------------------|----------------------|
| Basic salaries and wages | 1,280,475,918 | 1,182,495,467 |
| Contributions to Medical aid | 101,446,602 | 93,545,657 |
| Contributions to Pension funds | 188,995,291 | 176,510,509 |
| Contributions to UIF | 7,735,826 | 7,616,813 |
| Housing benefits and allowances | 5,843,928 | 5,411,493 |
| Leave pay | 64,567,311 | 38,099,833 |
| Defined contribution plan - Current service costs | 28,916,911 | 35,969,000 |
| Overtime, shift and standby allowances | 231,973,666 | 178,584,865 |
| Travel, motor car, accommodation, subsistence and other allowances | 135,304,641 | 132,599,596 |
| | 2,045,260,094 | 1,850,833,233 |

Remuneration of Accounting Officer (Adv TB Mea)

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1,777,267 | 1,496,049 |
| Car and other allowances | 355,500 | 602,920 |
| Contributions to UIF, Medical and Pension Funds | 323,907 | 312,048 |
| | 2,456,674 | 2,411,017 |

Remuneration of Chief Financial Officer - (S Mofokeng)

| | | |
|---|----------------|----------|
| Annual Remuneration | 641,626 | - |
| Car and other allowances | 285,857 | - |
| Contributions to UIF, Medical and Pension Funds | 35,207 | - |
| | 962,690 | - |

The official acted in the position from 8 December 2018 to 29 April 2019 on which date he was appointed to the position.

Remuneration of Acting Chief Financial Officer (KS Rapulungane)

| | | |
|---|----------------|----------------|
| Annual Remuneration | 419,854 | 181,335 |
| Car and other allowances | 254,270 | 33,200 |
| Contributions to UIF, Medical and Pension Funds | 91,201 | 33,676 |
| | 765,325 | 248,211 |

The official acted in the position from 26 April 2018 to 7 December 2018.

Remuneration of the Chief Financial Officer (EM Mohlahlo)

| | | |
|---|----------|------------------|
| Annual Remuneration | - | 1,099,215 |
| Car and other allowances | - | 366,000 |
| Contributions to UIF, Medical and Pension Funds | - | 48,441 |
| | - | 1,513,656 |

The former Chief Financial Officer resigned effective 26 April 2018.

Remuneration of Executive Director - Corporate Services (DSR Nkaiseng)

| | | |
|---|------------------|----------------|
| Annual Remuneration | 1,192,776 | 687,010 |
| Car and other allowances | 447,593 | 151,200 |
| Contributions to UIF, Medical and Pension Funds | 259,689 | 139,420 |
| | 1,900,058 | 977,630 |

The official was appointed as Executive Director - Corporate Services from 1 December 2017.

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41. Employee related costs (continued)

Remuneration of Executive Director - Corporate Services (M Ramaema)

| | | |
|---|----------|----------------|
| Annual Remuneration | - | 240,809 |
| Car and other allowances | - | 336,798 |
| Contributions to UIF, Medical and Pension Funds | - | 52,324 |
| | - | 629,931 |

The former Executive Director - Corporate Services' contract expired on 31 August 2017.

Remuneration of Executive Director - Social Services (MG Nkungwana)

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1,389,717 | 1,398,730 |
| Car and other allowances | 199,200 | 316,655 |
| Contributions to UIF, Medical and Pension Funds | 312,300 | 212,170 |
| | 1,901,217 | 1,927,555 |

Remuneration of Executive Director - Economic and Rural Development (TA Maine)

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1,418,305 | 1,348,777 |
| Car and other allowances | 139,200 | 626,637 |
| Contributions to UIF, Medical and Pension Funds | 343,153 | 316,883 |
| | 1,900,658 | 2,292,297 |

Remuneration of Executive Director - Engineering (M Ndlovu)

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1,189,510 | 1,370,749 |
| Car and other allowances | 507,903 | 259,200 |
| Contributions to UIF, Medical and Pension Funds | 204,526 | 179,963 |
| | 1,901,939 | 1,809,912 |

Remuneration of Executive Director - Waste and Fleet Management (S More)

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1,831,276 | 1,718,169 |
| Car and other allowances | 54,200 | 255,383 |
| Contributions to UIF, Medical and Pension Funds | 20,674 | 21,499 |
| | 1,906,150 | 1,995,051 |

Remuneration of Executive Director - Head of Police (KI Kgamanyane)

| | | |
|---|------------------|----------------|
| Annual Remuneration | 1,193,043 | 611,892 |
| Car and other allowances | 483,989 | 129,600 |
| Contributions to UIF, Medical and Pension Funds | 222,926 | 96,427 |
| | 1,899,958 | 837,919 |

The official was appointed as Head of Police from 1 December 2017.

Remuneration of Executive Director - Human Settlements and Housing (Adv MJN Phaladi)

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1,182,910 | 1,370,748 |
| Car and other allowances | 471,648 | 259,200 |
| Contributions to UIF, Medical and Pension Funds | 248,437 | 179,873 |
| | 1,902,995 | 1,809,821 |

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| 41. Employee related costs (continued) | | |
| Remuneration of Executive Director - Planning (BS Mthembu) | | |
| Annual Remuneration | 1,140,121 | 1,393,374 |
| Car and other allowances | 507,336 | 259,200 |
| Contributions to UIF, Medical and Pension Funds | 255,379 | 184,728 |
| | 1,902,836 | 1,837,302 |
| 42. Remuneration of councillors | | |
| Councillors allowance | 44,891,451 | 42,838,086 |
| Councillors medical aid contributions | 585,967 | 503,721 |
| Councillors pension contributions | 1,762,162 | 1,632,554 |
| Cell phone allowance | 4,388,700 | 4,405,629 |
| Housing allowance | 65,247 | 56,246 |
| Travel allowance | 12,740,682 | 12,835,151 |
| | 64,434,209 | 62,271,387 |
| In-kind benefits | | |
| The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the entity and each is provided with an office and secretarial support at the cost of the Council. | | |
| The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties. | | |
| Executive Mayor | | |
| Councillors allowance | 1,350,250 | 1,298,317 |
| Cell phone allowance | 44,400 | 44,400 |
| | 1,394,650 | 1,342,717 |
| Deputy Executive Mayor | | |
| Councillors allowance | 692,163 | 655,365 |
| Councillors pension contributions | 103,824 | 95,765 |
| Cell phone allowance | 44,400 | 44,400 |
| Medical aid contributions | 17,280 | 17,280 |
| Travel allowance | 262,137 | 262,137 |
| Housing allowance | 18,000 | 18,000 |
| | 1,137,804 | 1,092,947 |
| Speaker | | |
| Councillors allowance | 772,825 | 811,739 |
| Cell phone allowance | 44,400 | 44,400 |
| Medical aid contributions | 17,280 | 17,280 |
| Travel allowance | 262,137 | 262,137 |
| Housing allowance | 38,247 | 38,246 |
| | 1,134,889 | 1,173,802 |
| Chief Whip | | |
| Councillors allowance | 673,581 | 646,462 |
| Councillors pension contributions | 101,037 | 94,324 |
| Cell phone allowance | 44,400 | 44,400 |
| Medical aid contributions | 17,280 | 2,880 |
| Travel allowance | 246,929 | 246,929 |
| | 1,083,227 | 1,034,995 |

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| 42. Remuneration of councillors (continued) | | |
| Mayoral committee members | | |
| Councillors allowance | 6,709,022 | 6,375,288 |
| Councillors pension contributions | 199,945 | 184,133 |
| Cell phone allowance | 399,600 | 399,600 |
| Medical aid contributions | 120,176 | 102,704 |
| Travel allowance | 2,222,357 | 2,218,510 |
| | 9,651,100 | 9,280,235 |
| Councillors | | |
| Councillors allowance | 34,693,611 | 33,050,915 |
| Councillors pension contributions | 1,357,355 | 1,258,333 |
| Cell phone allowance | 3,822,600 | 3,828,429 |
| Medical aid contributions | 413,951 | 363,577 |
| Travel allowance | 9,747,124 | 9,845,439 |
| Housing allowance | 9,000 | - |
| | 50,043,641 | 48,346,693 |
| 43. Depreciation and amortisation | | |
| Property, plant and equipment | 943,389,481 | 866,922,082 |
| Intangible assets | 12,215,197 | 11,582,213 |
| | 955,604,678 | 878,504,295 |
| 44. Impairment of assets | | |
| Impairments | | |
| Property, plant and equipment | 933,592 | 58,417,803 |
| The recoverable amount of the asset was assessed at the end of the financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised. | | |
| Inventories | 746,694 | (705,827) |
| An assessment of the net realisable value against cost was performed and inventory was written down. | | |
| | 1,680,286 | 57,711,976 |
| 45. Finance costs | | |
| Finance leases | 5,421,137 | 3,455,343 |
| Non-current borrowings | 109,930,191 | 120,102,756 |
| Employee benefit obligation | 48,431,779 | 86,479,000 |
| Trade and other payables | 14,624,971 | 3,250,544 |
| | 178,408,078 | 213,287,643 |
| 46. Debt impairment and bad debt written off | | |
| Contributions to debt impairment provision | 415,617,019 | 418,080,957 |
| Bad debts written off | 349,974,014 | 70,380,966 |
| | 765,591,033 | 488,461,923 |

During the financial year, the write off amounting to R349,974,014 (2018: R70,380,966) related to the write off of indigent consumers' debt as at the date of registration on the indigent register.

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| 47. Bulk purchases | | |
| Electricity | 1,519,656,103 | 1,429,508,907 |
| Water | 854,446,680 | 492,093,365 |
| | 2,374,102,783 | 1,921,602,272 |
| 48. Contracted services | | |
| Outsourced Services | | |
| Burial services | 1,614,272 | 2,718,323 |
| Internal Auditors | 5,370,388 | 3,972,834 |
| Meter management services | 14,405,872 | 26,331,191 |
| Refuse removal services | 6,278,790 | 40,175,450 |
| Sewerage services | 7,793,257 | 28,174,763 |
| Consultants and Professional Services | | |
| Business and advisory services | 139,905,953 | 106,771,034 |
| Infrastructure and planning services | 2,324,173 | 13,005,723 |
| Legal costs | 42,842,286 | 66,573,225 |
| Contractors | | |
| Catering services | 3,713,822 | 9,036,857 |
| Electrical | 1,033,208 | 1,180,877 |
| Gardening services | 2,516,988 | 5,271,339 |
| Repairs and maintenance | 219,677,657 | 366,566,863 |
| Prepaid Electricity Vendors | 102,812,607 | 113,954,878 |
| Safeguard and security services | 64,702,571 | 99,501,663 |
| Other contracted services | 17,625,577 | 33,359,771 |
| | 632,617,421 | 916,594,791 |
| 49. Grants and subsidies paid | | |
| Other grants and subsidies paid | | |
| Central agricultural society | 25,846 | 24,545 |
| Cricket | 2,387,700 | - |
| FRESHCO | - | 1,900,773 |
| Miscellaneous grants | 4,246,254 | 2,543,649 |
| | 6,659,800 | 4,468,967 |

Central Agricultural Society:

The payments to the society is for the maintenance of Council's property at the show grounds which are used in accordance with an agreement with the society.

FRESHCO:

On a special council meeting held on 21 September 2017, the Council resolved to pay the amount of R1,900,773 to the National Housing Finance Corporation (SOC) Ltd (NHFC) as assistance to FRESHCO in order to service their loan with NHFC.

Miscellaneous grants:

These grants are allocated mainly for ad hoc grants and the free use of Council facilities, as approved during the year.

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| 50. General expenses | | |
| Animal costs | 1,953,887 | 1,760,914 |
| Auditors remuneration | 26,094,540 | 24,013,059 |
| Bank charges and commissions | 14,669,057 | 11,079,735 |
| Bulk SMS services | - | 1,556,664 |
| Bursaries to employees | 1,919,292 | 2,322,652 |
| Chemicals | 4,281,886 | 7,970,901 |
| Consumables | 12,097,099 | 19,404,277 |
| Electricity | 662,237 | 1,785,119 |
| Fines and penalties | - | 777,647 |
| Fuel and oil | 29,663,574 | 27,564,891 |
| Indigent relief - Free electricity | 5,408,506 | 3,668,402 |
| Insurance | 19,758,013 | 19,530,190 |
| Inventory losses | 1,697,513 | 572,998 |
| Learnerships and internships | 2,559,459 | 3,645,000 |
| Marketing and advertising | 5,912,560 | 4,685,140 |
| Motor vehicle expenses | 6,816,934 | 4,899,241 |
| Operating lease expenditure | 36,100,466 | 19,621,525 |
| Postage and courier | 9,081,026 | 10,566,501 |
| Printing and stationery | 7,498,962 | 6,622,376 |
| Remuneration of ward committees | 5,454,292 | 5,517,300 |
| Repairs and maintenance | 53,085,675 | 62,966,520 |
| Royalties and license fees | 20,299,699 | 17,053,061 |
| Skills development levy | 17,240,030 | 15,622,434 |
| Subscriptions and membership fees | 14,304,931 | 17,450,016 |
| Sundry expenses | 3,775,104 | 7,812,644 |
| Telephone, fax and network charges | 21,738,389 | 37,865,084 |
| Title deed search fees | 900,844 | 3,485,323 |
| Transport and freight | 2,664,347 | 3,484,405 |
| Travel and subsistence | 9,002,636 | 7,844,902 |
| Uniforms and protective clothing | 5,931,822 | 4,198,508 |
| Water research | 4,059,771 | 3,015,469 |
| Workmens compensation | 4,175,348 | 7,506,809 |
| | 348,807,899 | 365,869,707 |
| 51. Taxation | | |
| Major components of the tax expense (income) | | |
| Current | | |
| Local income tax - current period | - | - |
| Deferred | | |
| Originating and reversing temporary differences | 22,441,546 | 59,645,834 |
| Assessed loss used | 305,957,436 | 220,387,849 |
| Assessed loss raised | (317,494,621) | (305,957,435) |
| | 10,904,361 | (25,923,752) |
| Reconciliation of the tax expense | | |
| Reconciliation between accounting surplus and tax expense. | | |
| Accounting (deficit) surplus | (257,851,422) | 545,812,036 |
| Tax at the applicable tax rate of 28% (2018: 28%) | (72,198,398) | 152,827,370 |
| Tax effect of adjustments on taxable income | | |
| Non-taxable income | (3,761,739) | (4,901,785) |
| Non-deductable expenses | 1,822,439 | 1,186,830 |
| Effect of intercompany transactions | 85,042,059 | (175,036,167) |
| | 10,904,361 | (25,923,752) |

Income tax was accounted for in terms of the principals set out in International Accounting standards 12.

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|--|--------------------|--------------------|
| 52. Cash generated from operations | | |
| (Deficit) surplus | (268,755,783) | 571,735,788 |
| Adjustments for: | | |
| Depreciation and amortisation | 955,604,678 | 878,504,295 |
| Gain on sale of assets and liabilities | 16,953,220 | 55,319,964 |
| Loss on sale of assets | (1,000) | (18,273,426) |
| Fair value adjustments | (3,777,387) | 18,066,225 |
| Interest income | (1,456,304) | (6,862,634) |
| Finance costs | 115,351,328 | 123,558,099 |
| Impairment loss | 933,592 | 58,417,803 |
| Movements in retirement benefit assets and liabilities | 38,624,128 | (320,665,965) |
| Annual charge for deferred tax | 10,904,361 | (25,923,752) |
| Public contributions and donations | (2,894,962) | (276,512,079) |
| Unwinding of the Freshco liability | (14,127,896) | (13,829,272) |
| Unwinding of Land availability liability | (16,512,837) | (9,649,099) |
| Changes in working capital: | | |
| Inventories | (175,366,638) | (15,818,406) |
| Other receivables from exchange transactions | 11,857,509 | (25,323,745) |
| Consumer receivables from exchange transactions | (249,477,157) | (123,500,131) |
| Consumer receivables from non-exchange transactions | (144,227,000) | (275,275,469) |
| Other receivables from non-exchange transactions | 2,158,852 | 38,119,042 |
| Payables from exchange transactions | 232,265,405 | 69,576,380 |
| VAT | 10,419,366 | (2,800,736) |
| Payables from non-exchange transactions | 22,744,385 | (27,031,919) |
| Unspent conditional grants and receipts | 129,343,160 | 166,912,645 |
| | 670,563,020 | 838,743,608 |

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53. Commitments

Commitments in respect of capital expenditure

Approved and contracted for

| | | |
|-------------------------|--------------------|--------------------|
| • Infrastructure assets | 159,889,422 | 201,434,447 |
| • Other asset classes | 37,019,522 | 60,663,839 |
| | 196,908,944 | 262,098,286 |

The capital expenditure will be financed from

| | | |
|------------------------------|--------------------|--------------------|
| • Unspent conditional grants | 152,127,299 | 146,419,936 |
| • Own resources | 44,781,644 | 115,678,350 |
| | 196,908,943 | 262,098,286 |

Commitments are disclosed exclusive of VAT.

Operating leases - as lessee (expense)

Minimum lease payments due

| | | |
|-------------------------------------|----------------|------------------|
| - within one year | 808,159 | 1,467,416 |
| - in second to fifth year inclusive | - | 117,790 |
| | 808,159 | 1,585,206 |

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three years. The lease agreements have escalations of 8% to 10% per annum. There were no renewal purchase options. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

| | | |
|-------------------------------------|-------------------|-------------------|
| - within one year | 5,794,328 | 6,334,698 |
| - in second to fifth year inclusive | 21,636,043 | 24,121,561 |
| - later than five years | 28,927,319 | 32,041,096 |
| | 56,357,690 | 62,497,355 |

The entity leases various fixed properties under non-cancellable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R 29,821,839 (2018: R 29,821,839) has been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease. There are no purchase options. There was no contingent rent during the year.

During the current year the lease register was recalculated as the following adjustment was made to the disclosure:

| | |
|---|-----------|
| Decrease in receivable within 1 year | 459,318 |
| Decrease in receivable in second and fifth year inclusive | 1,528,026 |
| Increase in receivable later than five years | 5,832,436 |

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54. Contingencies

Contingent assets

| | | |
|--------------------|-------------|---|
| Bloemwater dispute | 313,600,131 | - |
|--------------------|-------------|---|

During the year the entity lodged a dispute with Bloemwater relating to the raw water charges by Bloemwater which are not in terms of the service level agreement in place between the entity and Bloemwater.

Housing guarantees

The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed below are the possible outflow amounts.

| | | |
|--------------------|-----------|-----------|
| Housing guarantees | 3,621,443 | 3,647,223 |
|--------------------|-----------|-----------|

Contingent liabilities

The entity is involved in the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts:

| | | |
|--|--------------------|--------------------|
| Probable legal costs to be incurred for various matters handled by various attorneys | 13,938,054 | 6,167,929 |
| Labour cases and employee related matters | 10,150,000 | 11,900,000 |
| Claims by individuals due to property damages in various incidents | 235,000 | 1,475,000 |
| Claims by individuals due to various incidents | 108,422,200 | 116,908,287 |
| Bloemwater dispute on the drought tariff charged | - | 314,224,573 |
| | 132,745,254 | 450,675,789 |

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55. Related parties

Relationships

Accounting Officer

Adv TB Mea

Remuneration of key management

Councillors/Mayoral committee members

No transactions took place between the entity and councillors/mayoral committee members or their close family members during the reporting period. Details relating to remuneration of councillors are disclosed in note 42.

Executive management

No transactions took place between the entity and key management personnel or their close family members during the reporting period. Details relating to remuneration of key management are disclosed in note 41.

Non-executive directors' emoluments - Centlec (SOC) Limited

| 2019 | Directors' fees | Company contribution - UIF | Company contribution - SDL | Total |
|-----------------------------------|-----------------|----------------------------|----------------------------|----------------|
| Mr. N Mokhesi (Chairperson) | 121,446 | 892 | 1,214 | 123,552 |
| Me. DC Myeni (Deputy Chairperson) | 148,434 | 1,484 | 1,484 | 151,402 |
| Mr. KM Moroka | 48,102 | 481 | 481 | 49,064 |
| Mr. CAK Choeru | 48,102 | 481 | 481 | 49,064 |
| Mr. MP Mohale | 40,085 | 401 | 401 | 40,887 |
| | 406,169 | 3,739 | 4,061 | 413,969 |

| 2018 | Directors' fees | Company contribution - UIF | Company contribution - SDL | Total |
|-----------------------------------|------------------|----------------------------|----------------------------|------------------|
| Mr. N Mokhesi (Chairperson) | 404,820 | 1,617 | 4,048 | 410,485 |
| Me. DC Myeni (Deputy Chairperson) | 269,880 | 1,785 | 2,699 | 274,364 |
| Mr. KM Moroka | 160,332 | 1,542 | 1,603 | 163,477 |
| Me. ZC Uwah | 106,888 | 1,069 | 1,069 | 109,026 |
| Mr. CAK Choeru | 160,332 | 1,603 | 1,603 | 163,538 |
| Mr. MP Mohale | 160,332 | 1,603 | 1,603 | 163,538 |
| | 1,262,584 | 9,219 | 12,625 | 1,284,428 |

56. Change in estimate

Property, plant and equipment

For the following classes of PPE, the remaining useful lives were adjusted to a minimum remaining useful life of 3 years. Residual value adjustments were also made to the residual values of fleet. The effect of the change has resulted in a decrease in depreciation of R35,219,094. It is impracticable to estimate the effect on future periods as the remaining useful lives is reviewed at each reporting date.

| | | |
|----------------------|---|--------------------|
| Depreciation 2017/18 | - | 152,849,842 |
| Change in estimate | - | (38,963,650) |
| | - | 113,886,192 |

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56. Change in estimate (continued)

Buildings

During the year, the municipal entity changed its accounting estimates with respect to building assets. In order to conform with the benchmark treatment of GRAP17, the municipal entity re-assessed the remaining useful lives of all building assets, which led to a change in the amortisation for the current year.

The aggregate effect of the changes in accounting estimate on the financial statements for the year ended 30 June 2019 is as follows:

Depreciation expense after remaining useful lives review

| | | |
|---|---|------------------|
| Depreciation expense before remaining useful lives review | - | 2,524,135 |
| Future decrease in depreciation due to review | - | (137,194) |
| | - | 2,386,941 |

Other assets

During the year, the municipal entity changed its accounting estimates with respect to other movable assets. In order to conform with the benchmark treatment of GRAP17, the municipal entity re-assessed the remaining useful lives of all building assets, which led to a change in the amortisation for the current year.

The aggregate effect of the changes in accounting estimate on the financial statements for the year ended 30 June 2019 is as follows:

Depreciation expense after remaining useful lives review

| | | |
|---|---|-------------------|
| Depreciation expense before remaining useful lives review | - | 25,439,169 |
| Future reduction in depreciation due to review | - | (3,607,362) |
| | - | 21,831,807 |

57. Prior period errors

Prior period errors were identified during the current year and corrected in line with GRAP 3 - Accounting Policies, Changes in Accounting Policies and Errors.

The correction of the error(s) relating to line items disclosed in the statements of financial position, performance and cash flow statement results in adjustments as follows:

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| 57. Prior period errors (continued) | | |
| 1. Prior period error - VAT not allowed | | |
| During the current year VAT input claims relating to the prior financial year were denied. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Decrease in VAT Payable | - | (1,021,424) |
| Statement of financial performance | | |
| Increase in General expenses - Sundry expenditure | - | 1,021,424 |
| | - | - |
| 2. Prior period error - Depreciation on swimming pools | | |
| During the current year it was noted that a mathematical error was made when accounting for the depreciation on swimming pools in the prior year. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Decrease in Accumulated depreciation of PPE - Community assets | - | 68,882 |
| Statement of financial performance | | |
| Decrease in Depreciation | - | (68,882) |
| | - | - |
| 3. Prior period error - Unrecorded liabilities | | |
| During the prior year not all liabilities relating to suppliers were recorded. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Increase in Payables from exchange transactions - Trade payables | - | (13,518,277) |
| Increase in VAT Receivable | - | 1,374,360 |
| Statement of financial performance | | |
| Contracted services - Business and advisory services | - | 209,265 |
| Contracted services - Catering services | - | 5,955 |
| Contracted services - Legal costs | - | 6,848,834 |
| Contracted services - Gardening services | - | 51,326 |
| Contracted services - Meter management services | - | 1,519,977 |
| Contracted services - Other contracted services | - | 68,197 |
| Contracted services - Refuse removal | - | 873,140 |
| Contracted services - Repairs and maintenance | - | 1,718,655 |
| General expenses - Bank charges and commissions | - | 2,154 |
| General expenses - Chemicals | - | 129 |
| General expenses - Consumables | - | 7,051 |
| General expenses - Fuel | - | 408 |
| General expenses - Printing and stationery | - | 184,440 |
| General expenses - Marketing | - | 16,632 |
| General expenses - Postage and courier | - | 351,617 |
| General expenses - Sundry expenses | - | 90,620 |
| General expenses - Telephone, fax and network charges | - | 176,701 |
| General expenses - Travel and subsistence | - | 8,015 |
| General expenses - Uniform and protective clothing | - | 10,801 |
| | - | - |
| 4. Prior period error - Waste services not accrued | | |
| During the current year it was noted that services rendered in the prior year were not accrued for as the appropriate approval was not obtained. The item has been included in the irregular expenditure of the entity as disclosed in note 63. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Increase in Payables from exchange transactions | - | (28,028,605) |
| Increase in VAT Receivable | - | 1,553,970 |
| Statement of financial performance | | |
| Increase in Contracted services | - | 26,474,635 |
| | - | - |

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| 57. Prior period errors (continued) | | |
| 5. Prior period error - Fleet expenditure duplication | | |
| During the current year it was noted that accruals related to leases were duplicated. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Decrease in Payables from exchange transactions - Trade payables | - | 15,266,483 |
| Statement of financial performance | | |
| Decrease in General expenses - Operating lease expenditure | - | (15,266,483) |
| | - | - |
| 6. Prior period error - Creditors duplication | | |
| During the current year it was noted that an accrual payment to a supplier was duplicated. The money has since been recovered from the supplier. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Decrease in Payables from exchange transactions - Trade payables | - | 379,260 |
| Increase in VAT Payables | - | (49,469) |
| Statement of financial performance | | |
| Decrease in Contracted services - Legal fees | - | (329,791) |
| | - | - |
| 7. Prior period error - Leased fleet | | |
| During the current year it was noted that 3 leased trucks purchased through a finance lease transaction in the prior year were not recorded in the accounting records of the entity. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Increase in Finance lease obligation | - | (11,583,603) |
| Increase in the Cost of PPE - Fleet | - | 11,583,603 |
| Increase in the Accumulated depreciation of PPE - Fleet | - | (12,687) |
| Statement of financial performance | | |
| Increase in Depreciation | - | 12,687 |
| | - | - |
| 8. Prior period error - Deferred lease | | |
| During the current year a mathematical error was noted in the lease register. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Increase in Other receivables from exchange transactions - Deferred lease | - | (62,033) |
| Statement of financial performance | | |
| Increase in Rental of facilities and equipment | - | 62,033 |
| | - | - |
| 9. Prior period error - Correction of various capital projects | | |
| The accounting records for various projects (T1326B, T1322B, T1423, T1430A, W1107, W0901L, T1316B) were reviewed and it was noted that payments for the projects were not accrued in the prior year when the projects were capitalised and costs incorrectly included were appropriately allocated. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Increase in Payables from exchange transactions - Trade payables | - | (12,947,271) |
| Increase in Payables from exchange transactions - Retentions | - | (104,018) |
| Increase in VAT Receivable | - | 1,394,918 |
| Increase in Cost of PPE - Roads and roads related | - | 28,104,108 |
| Decrease in Accumulated depreciation of PPE - Roads and roads related | - | 940,363 |
| Increase in Cost of PPE - Sanitation | - | 2,252,770 |
| Increase Accumulated depreciation of PPE - Sanitation | - | (219,847) |
| Decrease in Cost of PPE - Infrastructure WIP | - | (22,427,205) |
| Decrease in Accumulated surplus | - | 190,486 |

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| 57. Prior period errors (continued) | | |
| Statement of financial performance | | |
| Increase in Depreciation | - | 73,142 |
| Increase in Loss on derecognition of assets | - | 516,392 |
| Increase in Contracted services - Repairs and maintenance | - | 1,788,225 |
| | - | (437,937) |
| 10. Prior period error - Leave accrual | | |
| During the current year it was noted that errors were contained in the leave accrual calculation register. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Decrease in Payables from exchange transactions - Accrued leave pay | - | 29,217,032 |
| Increase in Other receivables from exchange transactions - Staff leave days receivable | - | 2,056,888 |
| Increase in Accumulated surplus | - | (29,085,563) |
| Statement of financial performance | | |
| Increase in Employee related costs | - | (2,188,357) |
| | - | - |
| 11. Prior period error - VAT Apportionment | | |
| During the current year the VAT was recovered for the apportionment of the 2018 VAT. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Increase in VAT Receivable | - | 139,333 |
| Statement of financial performance | | |
| Decrease in General expenses - Sundry expenditure | - | (139,333) |
| | - | - |
| 12. Prior period error - Furniture and office equipment | | |
| During the current year it was noted that equipment delivered in the prior year were not accounted for. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Increase in Payables from exchange transactions - Trade payables | - | (23,430) |
| Increase VAT Receivable | - | 2,877 |
| Increase in Cost of PPE - Other assets | - | 20,553 |
| Increase in Accumulated depreciation of PPE - Other assets | - | (43) |
| Statement of financial performance | | |
| Increase in Depreciation | - | 43 |
| | - | - |
| 13. Prior period error - WIP Reclassification | | |
| During the current year it was noted that WIP expenditure were incorrectly classified as Infrastructure WIP instead of Community WIP. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Increase in Cost of PPE - Community WIP | - | 2,352,644 |
| Decrease in Cost of PPE - Infrastructure WIP | - | (2,352,644) |
| | - | - |
| 14. Prior period error - Water meters | | |
| During the current year it was noted that the depreciation on water meters were not correctly calculated due to an error on the remaining useful life of the assets. Furthermore, certain costs were not included when water meter devices were capitalised. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Increase in Cost of PPE - Water meters | - | 29,594,837 |

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| 57. Prior period errors (continued) | | |
| Increase in Accumulated surplus | - | (11,838,348) |
| Statement of financial performance | | |
| Decrease in Depreciation | - | (11,938,023) |
| Decrease in Contracted services - Repairs and maintenance | - | (5,818,466) |
| | - | - |

15. Prior period error - R0 values

During the current year it was noted that certain assets were still in use and therefore an adjustment to the remaining useful lives were required. The effect of the restatement is as follows:

| | | |
|---|---|-----------|
| Statement of financial position | | |
| Decrease in Accumulated depreciation of PPE - Community - Other | - | 550,586 |
| Increase in Accumulated surplus | - | (734,115) |
| Statement of financial performance | | |
| Increase in Depreciation | - | 183,529 |
| | - | - |

16. Prior period error - Deemed cost additions

During the current year it was noted that the incorrect escalation of unit rates effected the cost and accumulated depreciation for deemed cost additions. The effect of the restatement is as follows:

| | | |
|---|---|-------------|
| Statement of financial position | | |
| Increase in Cost of PPE - Community Other | - | 300,176 |
| Increase in Cost of PPE - Sanitation | - | 228,444 |
| Increase in Cost of PPE - Water | - | 13,564 |
| Increase in Cost of PPE - Roads and roads related | - | 654,240 |
| Increase in Accumulated depreciation of PPE - Community Other | - | (2,735) |
| Increase in Accumulated depreciation of PPE - Sanitation | - | (1,629) |
| Increase in Accumulated depreciation of PPE - Water | - | (250) |
| Decrease in Accumulated depreciation of PPE - Roads and roads related | - | 10,857 |
| Increase in Accumulated surplus | - | (55,570) |
| Statement of financial performance | | |
| Decrease in Depreciation | - | (31) |
| Increase in Public contributions and donations | - | (1,147,066) |
| | - | - |

17. Prior period error - Land availability

During the current year it was noted that the information provided by the contractors responsible for the development contained errors and needed to be adjusted. The effect of the adjustment is as follows:

| | | |
|--|---|---------------|
| Statement of financial position | | |
| Decrease in Inventory | - | (131,623,717) |
| Decrease in Cost of PPE - Infrastructure WIP | - | (10,000,000) |
| Decrease in Land availability liability | - | 141,623,717 |
| | - | - |

18. Prior period error - Asset accrual not reversed

During the current year it was noted that an accrual to the WIP register of the entity was not reversed in the prior year. The effect of the restatement is as follows:

| | | |
|--|---|-----------|
| Statement of financial position | | |
| Decrease in Payables from exchange transactions - Trade payables | - | 935,464 |
| Decrease in Cost of PPE - Infrastructure WIP | - | (935,464) |
| | - | - |

19. Prior period error - Employee benefit obligation

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| 57. Prior period errors (continued) | | |
| During the prior year the actuarial valuation as required by GRAP, was not appropriately performed. The valuation was subsequently performed and adjusted in the accounting records of the entity. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Decrease in Employee benefit obligation | - | 150,216,965 |
| Statement of financial performance | | |
| Increase in Actuarial gains | - | (150,216,965) |
| | - | - |
| 20. Prior period error - VAT on Grants | | |
| During the year it was noted that the grants revenue recognised in the past did not take the VAT into account. The effect of the restatement is as follows: | | |
| Statement of financial position | | |
| Increase in Other receivables from non-exchange transactions - Grants receivable | - | 113,213,241 |
| Increase in Other receivables from non-exchange transactions - Grants receivable impairment | - | (110,447,975) |
| Increase in Unspent grants | - | (99,722,168) |
| Decrease in Accumulated surplus | - | 58,837,860 |
| Statement of financial performance | | |
| Increase in Debt impairment and bad debt written off | - | 40,884,308 |
| Increase in Government grants & subsidies | - | (2,765,266) |
| | - | - |
| 21. Prior period error - PPE | | |
| During the period under review the municipal entity noted that certain movable assets scrapped in previous financial years had been brought back into use at 30 June 2018. The comparative statements for 2017/2018 financial year have been restated. The effect of the correction of the error(s) is summarised below: | | |
| Statement of financial position | | |
| Increase in PPE - Other assets | - | 175,957 |
| Increase in Accumulated surplus | - | (180,370) |
| Statement of financial performance | | |
| Decrease in Loss on disposal of assets | - | (34,224) |
| Decrease in Impairment expense | - | (503) |
| Increase in Depreciation | - | 39,140 |
| | - | - |
| 22. Prior period error - Payables from exchange transactions - Retention creditors | | |
| During the period under review the municipal entity noted that retentions payable for the 2017/18 and prior financial years was not accounted for. A correction was made and the comparative statements for 2017/18 financial year have been restated. The effect of the correction of the error(s) is summarised below: | | |
| Statement of financial position | | |
| Increase in Payables from exchange transactions - Retentions | - | (193,259) |
| Increase in Accumulated surplus | - | (8,232) |
| Statement of financial performance | | |
| Increase in General expenditure | - | 201,491 |
| | - | - |
| 23. Prior period error - Payables from exchange transactions | | |
| During the period under review the municipal entity noted that material for repairs & maintenance was incorrectly expensed against the Mantsopa Local Municipality receivable during the 2017/18 and prior financial years. A correction was made and the comparative statements for 2017/18 financial year have been restated. The effect of the correction of the error(s) is summarised below: | | |
| Statement of financial position | | |
| Increase in Payables from exchange transactions | - | (283,173) |
| Decrease in Accumulated surplus | - | 29,135 |

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| 57. Prior period errors (continued) | | |
| Statement of financial performance | | |
| Increase in General expenses | - | 254,038 |
| | - | - |
| 24. Prior period error - Payables from exchange transactions - Mantsopa Local Municipality | | |
| During the period under review it was noted that indigent debtor accounts with credit balances existed due to estimate reversals relating to estimates made during the prior financial year. A correction was made and the comparative statements for 2017/18 financial year have been restated. The effect of the correction of the error(s) is summarised below: | | |
| Statement of financial position | | |
| Decrease in Payables from exchange transactions | - | 452,730 |
| Increase in Accumulated surplus | - | (452,730) |
| | - | - |
| 25. Prior period error - Payables from exchange transactions | | |
| During the period under review the municipla entity noted that the nature of items classified as other payables in the note for payables from exchange transactions is the same as the nature of items classified as operating expense accrual. A reclassification adjustment was made and the comparative statements for 2017/18 financial year have been restated. The effect of the restatement is summarised below: | | |
| Statement of financial position | | |
| Decrease in Payables from exchange transactions - Other payables | - | 27,218 |
| Increase in Payables from exchange transactions - Operating expense accrual | - | (27,218) |
| | - | - |
| 26. Prior period error - Taxation | | |
| During the period under review restatements were made by the municipal entity to the 2017/18 comparative figures resulting in a change to the net surplus/(deficit) before taxation which resulted in a change to the deferred and income tax calculations. The calculation was adjusted and the comparative statements for 2017/18 financial year have been restated. The effect of the correction of the error(s) is summarised below: | | |
| Statement of financial position | | |
| Increase in Deferred tax asset | - | 72,102,761 |
| Statement of financial performance | | |
| Decrease in Taxation | - | (72,102,761) |
| | - | - |
| 27. Prior period error - General expenses | | |
| During the period under review it was noted that in the prior year commission paid to third party vendors was incorrectly classified as consulting and professional fees. A reclassification adjustment was made and the comparative statements for 2017/18 financial year have been restated. The effect of the restatement is summarised below: | | |
| Statement of financial performance | | |
| Increase in Contracted services - Prepaid electricity vendors | - | 3,272,222 |
| Decrease in General expenses - Bank charges and commissions | - | (3,272,222) |
| | - | - |

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58. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

| | At fair value | At amortised cost | Total |
|---|----------------|----------------------|----------------------|
| Non-current receivables | 104,148 | 4,241,473 | 4,345,621 |
| Consumer receivables from exchange transactions | - | 1,574,470,560 | 1,574,470,560 |
| Consumer receivables from non-exchange transactions | - | 685,067,543 | 685,067,543 |
| Other receivables from non-exchange transactions | - | 606,414 | 606,414 |
| Other receivables from exchange transactions | - | 127,455,600 | 127,455,600 |
| Cash and cash equivalents | - | 127,852,476 | 127,852,476 |
| | 104,148 | 2,519,694,066 | 2,519,798,214 |

Financial liabilities

| | At fair value | At amortised cost | Total |
|---|--------------------|----------------------|----------------------|
| Borrowings | - | 1,027,164,580 | 1,027,164,580 |
| Payables from exchange transactions | - | 1,505,205,588 | 1,505,205,588 |
| Payables from non-exchange transactions | - | 286,291,274 | 286,291,274 |
| Finance lease obligation | - | 70,315,350 | 70,315,350 |
| Consumer deposits | 148,402,252 | - | 148,402,252 |
| | 148,402,252 | 2,888,976,792 | 3,037,379,044 |

2018

Financial assets

| | At fair value | At amortised cost | Total |
|---|---------------|----------------------|----------------------|
| Non-current receivables | 99,981 | 4,980,057 | 5,080,038 |
| Consumer receivables from exchange transactions | - | 1,324,993,403 | 1,324,993,403 |
| Consumer receivables from non-exchange transactions | - | 540,840,543 | 540,840,543 |
| Other receivables from exchange transactions | - | 139,313,109 | 139,313,109 |
| Other receivables from non-exchange transactions | - | 2,765,266 | 2,765,266 |
| Investments | - | 53,265,198 | 53,265,198 |
| Cash and cash equivalents | - | 235,759,363 | 235,759,363 |
| | 99,981 | 2,301,916,939 | 2,302,016,920 |

Financial liabilities

| | At fair value | At amortised cost | Total |
|---|--------------------|----------------------|----------------------|
| Borrowings | - | 1,124,280,251 | 1,124,280,251 |
| Payables from exchange transactions | - | 1,323,021,591 | 1,323,021,591 |
| Payables from non-exchange transactions | - | 263,546,889 | 263,546,889 |
| Finance lease obligation | - | 44,989,686 | 44,989,686 |
| Consumer deposits | 148,411,801 | - | 148,411,801 |
| | 148,411,801 | 2,755,838,417 | 2,904,250,218 |

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59. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk), credit risk and liquidity risk.

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing the financial risks. Further quantitative disclosures are included throughout the annual financial statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principals on interest rate risk, credit risk and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been raised accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| At 30 June 2019 | Less than 1 year | Between 1 and 5 years | Over 5 years |
|---|------------------|-----------------------|--------------|
| Borrowings | 158,581,540 | 714,531,588 | 154,051,452 |
| Finance lease obligations | 28,654,747 | 41,660,603 | - |
| Payables from exchange transactions | 1,505,205,588 | - | - |
| Payables from non-exchange transactions | 286,291,274 | - | - |
| At 30 June 2018 | Less than 1 year | Between 1 and 5 years | Over 5 years |
| Borrowings | 147,615,980 | 669,931,252 | 306,733,019 |
| Finance lease obligations | 16,108,277 | 28,881,408 | - |
| Payables from exchange transactions | 1,323,021,591 | - | - |
| Payables from non-exchange transactions | 263,546,889 | - | - |

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59. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument | 2019 | 2018 |
|---|---------------|---------------|
| Cash and cash equivalents | 127,852,476 | 235,759,363 |
| Investments | - | 53,265,198 |
| Consumer receivables from exchange transactions | 1,574,470,560 | 1,324,993,403 |
| Consumer receivables from non-exchange transactions | 685,067,543 | 540,840,543 |
| Other receivables from exchange transactions | 131,467,135 | 139,313,109 |
| Other receivables from non-exchange transactions | 606,414 | 2,765,266 |
| Non-current receivables - at fair value | 104,148 | 99,981 |
| Non-current receivables - at amortised cost | 4,241,473 | 4,980,057 |

The entity is exposed to a number of guarantees for housing loans to employees. Refer to note 53 for additional details.

These balances represent the maximum exposure to credit risk.

There has been no change, since the previous financial year, to the entity's exposure to credit risks or the manner in which it manages and measures the risks.

Market risk

Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates.

At year end, the financial instruments exposed to interest rate risk were as follows:

- Call, notice and fixed deposits
- Development Bank of South Africa, Standard Bank of South Africa Limited and ABSA loans
- Finance lease obligations

The entity's interest rate risk arises from long-term borrowings and finance leases. Borrowings and finance leases issued at variable rates expose the entity to cash flow interest rate risk.

Borrowings and finance leases issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to maintain the majority of its borrowings and finance leases in fixed rate instruments. During the current and prior financial year, the entity's borrowings and finance leases at variable rate were denominated in the Rand.

Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

The entity does not hedge foreign exchange fluctuations.

Price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The entity is not exposed to commodity price risk.

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60. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We draw attention to the fact that at 30 June 2019, the entity had an accumulated surplus of R 13,261,604,736 and that the entity's total assets exceed its liabilities by R 15,754,765,382.

The entity had a deficit of R (268,755,783) (2018: surplus R 571,735,788) for the year. The current liabilities exceed the current assets by R (135,677,202) (2018: current assets exceed current liabilities by R 67,473,081).

The entity incurred material water and electricity losses, refer to note 65 for further detail.

The entity provided for material impairments for receivables from exchange and non-exchange transactions, refer to notes 4, 5, 6 & 7 for further details.

The entity experienced a negative cash movement during the current year, refer to the Cash Flow Statement on page 9.

61. Events after the reporting date

At a Council sitting on 30 August 2019, the Council resolved that after an investigation performed, irregular expenditure to the value of R 336,548,786 is regarded as irrecoverable and were written off.

62. Unauthorised expenditure

| | | |
|--|----------------------|----------------------|
| Opening balance as previously reported | 4,460,261,233 | 3,586,069,246 |
| Opening balance as restated | 4,460,261,233 | 3,586,069,246 |
| Add: Unauthorised expenditure - prior period | - | 108,279,588 |
| Add: Unauthorised expenditure - current period | 1,460,427,120 | 874,191,987 |
| Less: Amount written off by Council on 31 August 2018 | - | (108,279,588) |
| Less: Amount written off by Council on 4 December 2018 | (3,420,116,584) | - |
| Closing balance | 2,500,571,769 | 4,460,261,233 |

Unauthorised expenditure were written off by Council on 4 December 2018.

Incidents identified 2018/19

| | Disciplinary steps taken / criminal proceedings | Balance reported | Written off / Recovered | Balance remaining |
|---|---|----------------------|-------------------------|----------------------|
| Overspending by Corporate services | None | 80,473,293 | - | 80,473,293 |
| Overspending by Engineering services | None | 356,585,726 | - | 356,585,726 |
| Overspending by Executive Mayor | None | 2,007,003 | - | 2,007,003 |
| Overspending by Miscellaneous Services | None | 164,186,060 | - | 164,186,060 |
| Overspending by Naledi infrastructure | None | 2,614,199 | - | 2,614,199 |
| Overspending by Strategic Projects and Service Delivery Regulations | None | 10,200,111 | - | 10,200,111 |
| Overspending by Water services | None | 663,908,445 | - | 663,908,445 |
| Overspending by Waste & Fleet management | None | 45,165,711 | - | 45,165,711 |
| Overspending by Social Services | None | 38,821,773 | - | 38,821,773 |
| Overspending by Centlec (SOC) Limited | None | 96,464,799 | - | 96,464,799 |
| | | 1,460,427,120 | - | 1,460,427,120 |

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62. Unauthorised expenditure (continued)

Incidents identified 2017/18

| | Disciplinary steps taken / criminal proceedings | Balance reported | Written off / Recovered | Balance remaining |
|---|---|--------------------|-------------------------|--------------------|
| Unauthorised expenditure related to the prior year | Written off* | 108,279,588 | (108,279,588) | - |
| Overspending by Executive Mayor | | 7,893,535 | - | 7,893,535 |
| Overspending by Corporate services | | 75,409,774 | - | 75,409,774 |
| Overspending by Social services | | 35,105,144 | - | 35,105,144 |
| Overspending by Engineering services | | 206,441,966 | - | 206,441,966 |
| Overspending by Water services | | 381,138,360 | - | 381,138,360 |
| Overspending by Waste and fleet management services | | 38,697,148 | - | 38,697,148 |
| Overspending by Human settlement and housing | | 43,855,269 | - | 43,855,269 |
| Overspending by Economic and rural development | | 3,774,857 | - | 3,774,857 |
| Overspending by Centlec (SOC) Limited (capital expenditure) | | 21,875,934 | - | 21,875,934 |
| | | 922,471,575 | (108,279,588) | 814,191,987 |

* Written off by Council on 31 August 2018.

Incidents identified 2016/17

| | Disciplinary steps taken / criminal proceedings | Balance reported | Written off / Recovered | Balance remaining |
|---|---|--------------------|-------------------------|--------------------|
| Overspending by Engineering services | * | 326,486,669 | (326,486,669) | - |
| Overspending by Water services | * | 171,274,442 | (171,274,442) | - |
| Overspending by Miscellaneous Services | * | 231,892,412 | (231,892,412) | - |
| Overspending by Corporate services | * | 3,543,745 | (3,543,745) | - |
| Overspending by Fleet and Waste Management Services | * | 10,826,857 | (10,826,857) | - |
| Overspending by Centlec (SOC) Limited | * | 113,449,441 | - | 113,449,441 |
| | | 857,473,566 | (744,024,125) | 113,449,441 |

* Written off by Council on 4 December 2018.

Incidents identified 2015/16

| | Disciplinary steps taken / criminal proceedings | Balance reported | Written off / Recovered | Balance remaining |
|--|---|--------------------|-------------------------|-------------------|
| Overspending by the Office of the City Manager | * | 58,351,818 | (58,351,818) | - |
| Overspending by Engineering services | * | 376,693,435 | (376,693,435) | - |
| Overspending by Water services | * | 68,623,507 | (68,623,507) | - |
| Overspending by Waste & Fleet Management services | None** | 8,718,871 | - | 8,718,871 |
| Overspending by Miscellaneous services | * | 122,261,302 | (122,261,302) | - |
| Overspending by Finance - (Capital budget) | * | 428,285 | (428,285) | - |
| Overspending by Human Settlements (Capital budget) | * | 24,220,513 | (24,220,513) | - |
| Overspending by Strategic Projects and Service Delivery Regulations (Capital budget) | * | 1,535,723 | (1,535,723) | - |
| | | 660,833,454 | (652,114,583) | 8,718,871 |

* Written off by Council on 4 December 2018.

** These items relates to overtime which Council has referred for further investigation.

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62. Unauthorised expenditure (continued)

Incidents identified 2014/15

| | Disciplinary steps taken / criminal proceedings | Balance reported | Written off / Recovered | Balance remaining |
|---|---|--------------------|-------------------------|-------------------|
| Overspending by Infrastructure services | * | 476,310,085 | (476,310,085) | - |
| Overspending by Water services | * | 16,073,144 | (16,073,144) | - |
| Overspending by Miscellaneous services | * | 494,749,304 | (494,749,304) | - |
| | | 987,132,533 | (987,132,533) | - |

* Written off by Council on 4 December 2018.

Incidents identified 2013/14

| | Disciplinary steps taken / criminal proceedings | Balance reported | Written off / Recovered | Balance remaining |
|---|---|--------------------|-------------------------|-------------------|
| Overspending by Infrastructure services | * | 335,548,820 | (335,548,820) | - |
| Overspending by Water services | * | 6,503,968 | (6,503,968) | - |
| Overspending by Miscellaneous services | * | 324,571,205 | (324,571,205) | - |
| Overspending by Property rates | * | 6,472,972 | (6,472,972) | - |
| | | 673,096,965 | (673,096,965) | - |

* Written off by Council on 4 December 2018.

Incidents identified 2012/13

| | Disciplinary steps taken / criminal proceedings | Balance reported | Written off / Recovered | Balance remaining |
|---|---|------------------|-------------------------|-------------------|
| Overspending by Infrastructure services | None | 19,535,661 | - | 19,535,661 |

Incidents identified 2011/12

| | Disciplinary steps taken / criminal proceedings | Balance reported | Written off / Recovered | Balance remaining |
|---|---|--------------------|-------------------------|-------------------|
| Overspending by Finance directorate | * | 35,020,886 | (35,020,886) | - |
| Overspending by Infrastructure services | * | 29,551,033 | (29,551,033) | - |
| Overspending by Regional operations | * | 159,247,863 | (159,247,863) | - |
| Overspending by Miscellaneous services | * | 44,318,396 | (44,318,396) | - |
| Overspending by Corporate services | * | 37,317,682 | (37,317,682) | - |
| Overspending by Fresh Produce Market | * | 177,295 | (177,295) | - |
| Overspending by Water services | * | 1,623,331 | (1,623,331) | - |
| | | 307,256,486 | (307,256,486) | - |

* Written off by Council on 4 December 2018.

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62. Unauthorised expenditure (continued)

Incidents identified 2010/11

| | Disciplinary steps taken / criminal proceedings | Balance reported | Written off / Recovered | Balance remaining |
|--|--|---------------------|----------------------------|----------------------|
| Overspending by Fresh Produce Market | * | 417,912 | (417,912) | - |
| Overspending by Miscellaneous services | * | 29,774,764 | (29,774,764) | - |
| Overspending by Water services - Operating | * | 23,353,983 | (23,353,983) | - |
| Overspending by Water services - Capital | ** | 14,165,233 | (2,945,233) | 11,220,000 |
| | | 67,711,892 | (56,491,892) | 11,220,000 |

* Written off by Council on 4 December 2018.

**Partially written off by Council on 4 December 2018. The balance has been referred for further investigation.

63. Fruitless and wasteful expenditure

| | | |
|--|-------------------|-------------------|
| Opening balance as previously reported | 70,461,536 | 43,761,505 |
| Correction of prior period error | 578,994 | - |
| Opening balance as restated | 71,040,530 | 43,761,505 |
| Add: Fruitless and wasteful expenditure - current period | 17,758,334 | 26,700,031 |
| Less: Amounts recovered - current | (12,247) | - |
| Closing balance | 88,786,617 | 70,461,536 |

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63. Fruitless and wasteful expenditure (continued)

Incidents identified - 2018/19

| | Disciplinary steps taken / criminal proceedings | Balance reported | Written off / Recovered | Balance remaining |
|--|--|---------------------|----------------------------|----------------------|
| Municipality | | | | |
| Interest paid to Eskom SOC due to late payment | None | 121,710 | - | 121,710 |
| Interest paid to Telkom SA Limited due to late payment | None | 86,336 | - | 86,336 |
| Interest paid to Varymix Nineteen (Pty) Limited due to late payment | None | 207,608 | - | 207,608 |
| Interest paid to Blair Attorneys due to late payment | None | 1,636 | - | 1,636 |
| Interest paid to Peyper Attorneys due to late payment | None | 571,086 | - | 571,086 |
| Interest paid to NICS due to late payment | None | 2,725,404 | - | 2,725,404 |
| Interest paid to SAMWU due to late payment | None | 250,268 | - | 250,268 |
| Interest paid to Down Touch due to late payment | None | 793,872 | - | 793,872 |
| Interest paid to SARS due to late payment | None | 7,771 | - | 7,771 |
| Interest paid to Couzyn Hertz & Horak Attorneys due to late payment | None | 195,194 | - | 195,194 |
| Interest paid to Honey Attorneys due to court case no: 1064/2017 | None | 1,474 | - | 1,474 |
| Overpayment of Councillors salaries | None | 67,134 | - | 67,134 |
| Interest paid to Modderrivier due to late payment | None | 7,200 | - | 7,200 |
| Interest paid to CMP BEE Engineering due to court case no: 5559/16 | None | 205,792 | - | 205,792 |
| Interest paid to SABC TV Licences | None | 424 | - | 424 |
| Interest paid to FSPG Police | None | 125 | - | 125 |
| Payments were made to Phumi Trading where goods and services were not as per required standards. This resulted in another supplier having to reperform the work. | None | 3,262,618 | - | 3,262,618 |
| Payments made to Pennyville Zamimphilo Relocations (Pty) Ltd for remedial work and extension of time which could have been avoided | None | 453,329 | - | 453,329 |
| Municipal entity - Centlec (SOC) Limited | | | | |
| Interest on late payment of UIF,SDL,PAYE to SARS | None | 33 | - | 33 |
| Interest incurred on late payment of ESKOM and TELKOM accounts | None | 8,799,320 | - | 8,799,320 |
| | | 17,758,334 | - | 17,758,334 |

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|---|----------------------|--------------------|
| 64. Irregular expenditure | | |
| Opening balance as previously reported | 552,967,800 | 416,624,071 |
| Correction of prior period error | (51,697) | - |
| Opening balance as restated | 552,916,103 | 416,624,071 |
| Add: Irregular expenditure - current year | 854,942,432 | 127,208,794 |
| Add: Irregular expenditure - prior period | - | 9,134,935 |
| Less: Amount written off - current* | (336,548,786) | - |
| Closing balance | 1,071,309,749 | 552,967,800 |

During the prior year there were uncertainties relating to the interpretation of legislation regulating the composition of the Bid Adjudication Committee. The matter has been investigated to determine its validity and it was found that there were no effect on irregular expenditure.

*At a council sitting on 30 August 2019, the council resolved that after an investigation performed, irregular expenditure to the value of R 336,548,786 is regarded as irrecoverable and were written off.

Incidents/cases identified in the current year include those listed below:

Details of irregular expenditure - current year

| | Disciplinary steps taken/criminal proceedings | |
|---|--|--------------------|
| Municipality | | |
| Expenditure items identified were that of supply chain process that was not followed | None | 222,067,358 |
| Service providers where contracts were extended without council approval | None | 275,675,031 |
| During the year overpayment of Councillors remuneration and cell phone allowance was made and led to a subsequent overpayment on fixed motor car allowance. | The expenditure was identified during the current financial year and still needs to be investigated. | 67,134 |
| Expenditure in contravention of section 33 of the Division of Revenue Act | The matter is currently being addressed with National Treasury | 344,648,171 |
| Municipal entity - Centlec (SOC) Limited | | |
| Procurement in contravention with Supply Chain Management policy, Municipal Financial Management Act and Municipal Systems Act. | None | 12,484,738 |
| | | 854,942,432 |

65. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 14,100,000 | 13,300,000 |
| Amount paid - current year | (14,100,000) | (13,300,000) |
| | - | - |

Contributions to organised local government consists of annual subscriptions paid to SALGA.

Audit fees

| | | |
|---|------------------|----------------|
| Opening balance | 809,759 | 6,103,565 |
| Current year subscription / fee | 25,842,602 | 24,013,059 |
| Amount paid - current year | (24,491,321) | (23,203,299) |
| Amount paid - previous years - Mangaung Metropolitan Municipality | (809,759) | (3,265,711) |
| Amount paid - previous years - former Naledi Local Municipality | - | (2,837,855) |
| | 1,351,281 | 809,759 |

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65. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE, UIF and SDL

| | | |
|---------------------------------|-------------------|-------------------|
| Opening balance | 27,667,375 | 14,130,161 |
| Current year subscription / fee | 376,892,679 | 325,937,346 |
| Amount paid - current year | (345,502,200) | (298,212,123) |
| Amount paid - previous years | (27,725,223) | (14,188,009) |
| | 31,332,631 | 27,667,375 |

During the current year it was noted that the prior year disclosure did not take into account the finalisation the PAYE, UIF and SDL account of the former Naledi Local Municipality. The effect of the restatement is as follows:

| | |
|--------------------------------------|------------|
| Opening balance as previously stated | 14,072,729 |
| Adjustment | 57,432 |
| Restated opening balance | 14,130,161 |

Pension and Medical Aid Deductions

| | | |
|---------------------------------|-------------------|-------------------|
| Opening balance | 29,490,612 | 25,521,157 |
| Current year subscription / fee | 452,275,983 | 419,555,899 |
| Amount paid - current year | (421,128,615) | (390,065,287) |
| Amount paid - previous years | (29,565,959) | (25,521,157) |
| | 31,072,021 | 29,490,612 |

Councillors' arrear consumer accounts

Refer to Appendix B for details relating to Councillors arrear debt.

Bulk water losses

Material bulk water losses during the year under review were as follows and are not recoverable. The main reason for incurring water losses related to burst water pipes, leaks and unmetered sites.

| | Kilo Litres | Cost per Kilo litre (R) | Total loss in Rands |
|------|-------------|----------------------------|------------------------|
| 2019 | 20,658,016 | 9.04 | 186,748,463 |
| 2018 | 29,207,126 | 9.12 | 266,368,991 |

Grants withheld

During the current and prior year, the following amounts were withheld by National Treasury due to the slow implementation of projects. The amounts were subsequently forfeited.

| | | |
|------------------------------------|-------------------|-------------------|
| Neighbourhood development grant | - | 10,000,000 |
| Urban settlement development grant | 49,814,000 | - |
| | 49,814,000 | 10,000,000 |

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65. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity Distribution losses

| | kWh - Units | Rand value | % Loss |
|------|-------------|-------------|--------|
| 2019 | 144,172,798 | 138,097,200 | 8.67% |
| 2018 | 155,706,800 | 137,789,865 | 9.30% |

The electricity distribution loss comprises of technical and non-technical losses. For the 2018/19 financial year the distribution losses amount to 8.67% (2018: 9.30%). The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

Non-technical losses:

Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc. Non-technical losses amounted to 11,103,640 kWh - units (2018: 21,764,008 kWh - units) with a Rand value of R 10,635,721 (2018: R 19,259,658).

Technical losses:

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity have certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution. Technical losses amounted to 133,069,158 kWh - units (2018: 133,942,792 kWh - units) with a Rand value of R 127,461,479 (2018: R 118,530,207).

66. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix D1 for the comparison of actual operating expenditure versus budgeted expenditure.

67. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix D2 for the comparison of actual capital expenditure versus budgeted expenditure.

68. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the consolidated annual financial statements.

Deviations 2019

| | Rand value | Number of deviations |
|---------------|------------------|----------------------|
| Emergency | 4,059,257 | 6 |
| Sole supplier | 2,709,770 | 10 |
| Urgent | 177,422 | 21 |
| Other | 777,496 | 9 |
| | 7,723,945 | 46 |

Deviations 2018

| | Rand value | Number of deviations |
|---------------|------------------|----------------------|
| Emergency | 602,600 | 7 |
| Sole supplier | 2,609,974 | 28 |
| Urgent | 13,617 | 2 |
| Other | 1,172,810 | 26 |
| | 4,399,001 | 63 |

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69. Budget differences

Changes from the approved budget to the final budget

Statement of financial performance:

Service charges:

A downward adjustment of R 56,016 million on water revenue due to planned revenue not being realised as budgeted.

Transfers recognised - Operational

Appropriation of a new Municipal Disaster Recovery Grant of R 239 million.

Downward adjustment on the Urban Settlement Development Grant in line with the allocation from the Department of Human Settlement

Alignment of the budget for the Public Transport Grant between operating and capital expenditure in line with the allocated projects.

Employee related costs

Taking the mid year performance into account, the entity increased the overtime budget.

Materials and bulk purchases

The bulk purchases budget was decreased in line with the adjustment on water service charges.

Other expenditure

The adjustment to other expenditure to align the budget for the Public Transport Grant between operating and capital expenditure in line with the allocated projects.

Statement of financial position:

Changes to the statement of financial position budget were made in order to align the budget statement of financial position taking into account the closing balances as per the audited annual financial statements (which became available after the finalisation of the audit) as well as changes made on the statement of financial performance and budgeted capital expenditure.

Cash flow statement:

Changes to the cash flow statement were made due to the anticipated cash position of the entity as a result of the adjustments made to the statements of financial performance and position.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

Notes to the Consolidated Annual Financial Statements

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69. Budget differences (continued)

Material differences between budget and actual amounts

Statement of financial performance:

Property rates:

Favourable variance due to more properties being billed than what was budgeted for.

Service charges:

Electricity - The variance is attributed to the changes in the customers consumption pattern as alternative cheaper sources of energy are becoming a norm in the country.

Transfers recognised:

The unfavourable variance is due to under expenditure on the following grants:

Urban settlement development grant

Public transport infrastructure and network systems grant

Municipal disaster recovery grant

Other own revenue:

Favourable variance due to interest on property rates exceeding the budget as more properties are being billed.

Favourable variance on rental of facilities and equipment as municipal facilities being utilised more than anticipated.

Employee related costs:

The unfavourable variance is mainly due to the over expenditure on overtime.

Debt impairment:

Unfavourable variance due to the write off of indigent dentors when they were registered as indigent.

Materials and bulk purchases:

Unfavourable variance due to the settlement agreement reached with Bloemwater relating to a portion of the drought tarrifs that were previously included as contingent liabilities.

Other expenditure:

Favourable variance due to the implementation of cost cutting measures.

Capital expenditure:

The under expenditure are due to the slow implementation of grant funded projects on the following grants:

Urban settlement development grant

Public transport infrastructure and network systems grant.

Statement of financial position:

The variances are due to the impact of the over and under performance on revenue and expenditure items as indicated above under financial performance and capital expenditure.

Cash flow statement:

The variances are due to the impact of the over and under performance on revenue and expenditure items as indicated above under financial performance and capital expenditure.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

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70. Non-compliance to the MFMA

During the current financial year the following non-compliance matters were identified:

Supply chain management regulations 12(1)(c), 17(1)(a) - (c)

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his delegate.

Supply chain management regulations 36(1)

Goods and services with a transactions value above R200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or her delegate in accordance with the supply chain management policy.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

Mangaung Metropolitan Municipality
Appendix A to the Annual Financial Statements for the year ended 30 June 2019
Schedule of External Loans - Unaudited

Schedule of external loans as at 30 June 2019

| Loan Number | Redeemable | Balance at 30 June 2018 | Received during the period | Redeemed / written off during the period | Balance at 30 June 2019 | |
|-----------------------|------------|-------------------------|----------------------------|--|-------------------------|----------------------|
| | | Rand | Rand | Rand | Rand | |
| External loans | | | | | | |
| DBSA | 103433/01 | 31 March 2026 | 34,969,692 | - | 3,065,179 | 31,904,513 |
| DBSA | 103433/02 | 31 March 2026 | 120,690,448 | - | 8,250,603 | 112,439,845 |
| DBSA | 12007885 | 30 June 2025 | 266,779,286 | - | 25,134,220 | 241,645,066 |
| Standard bank | 33714314 | 30 June 2025 | 248,193,558 | - | 24,705,468 | 223,488,090 |
| ABSA | 23135 | 30 October 2026 | 453,647,268 | - | 35,960,202 | 417,687,066 |
| | | | 1,124,280,252 | - | 97,115,672 | 1,027,164,580 |

Mangaung Metropolitan Municipality

Appendix B to the Annual Financial Statements for the year ended 30 June 2019

Councillors' arrea consumer accounts (over 90 days) Municipal Debt - Audited

| Surname & Initials | July 2018 | August 2018 | September 2018 | October 2018 | November 2018 | December 2018 | January 2019 | February 2019 | March 2019 | April 2019 | May 2019 | June 2019 |
|--------------------|-----------|-------------|----------------|--------------|---------------|---------------|--------------|---------------|------------|------------|----------|-----------|
| Chaka NS | 34,715 | 35,296 | 35,879 | 30,494 | 21,338 | 15,674 | 16,116 | 16,523 | 31,238 | 37,754 | - | 821 |
| Dyosiba S | 1,764 | 1,396 | 884 | 411 | - | 259 | - | - | - | - | - | - |
| Ferreira TI | - | - | 191 | 403 | - | - | 50 | 269 | 482 | 697 | 913 | - |
| Gailele IL | 3,458 | 3,838 | 4,222 | 3,967 | 3,745 | 4,166 | 3,312 | 3,734 | 3,517 | 3,297 | 3,075 | 2,496 |
| Goliath EK | 96,565 | 98,773 | 100,987 | 94,358 | 79,353 | 81,756 | 67,444 | 69,541 | 61,753 | 55,454 | 55,454 | 55,454 |
| Jonas VE | - | - | - | - | - | - | - | - | 94 | 462 | 830 | 1,201 |
| Kotze GDP | 1,995 | 61 | 1,331 | 656 | 1,089 | 2,459 | 3,048 | 3,635 | 3,164 | 3,762 | 5,433 | 5,433 |
| Mabale G | 16,659 | 17,043 | 17,457 | 15,235 | 13,150 | 7,534 | 1,291 | 1,881 | 853 | - | - | - |
| Mahase MM | 5,765 | 6,004 | 6,244 | 5,482 | 4,771 | 5,062 | 3,354 | 3,640 | 2,920 | 2,194 | - | - |
| Makhalanyane TS | 281 | 291 | 301 | 310 | 207 | 219 | 230 | 1,529 | 1,539 | 1,560 | 1,582 | 1,603 |
| Mangcotywa ZE | 710 | 210 | - | - | - | - | - | - | - | - | - | - |
| Mapitse TK | 24,615 | 24,925 | 25,503 | 18,374 | 12,352 | 12,974 | - | 472 | - | - | - | - |
| Masoetsa LA | 47,666 | 49,806 | 51,965 | 54,549 | 34,468 | 34,634 | 5,507 | 7,654 | 4,271 | - | - | - |
| Masoeu TD | 1,694 | 2,046 | 2,097 | 3,679 | 5,339 | 1,994 | - | - | - | - | - | - |
| Matetha NR | 782 | 1,159 | - | - | - | - | 492 | 1,026 | 73 | 848 | 1,394 | 1,847 |
| Mogapi KT | - | - | - | - | - | - | - | - | - | - | 174 | 345 |
| Mohibidu PM | 39,870 | 41,170 | 42,478 | 37,811 | 32,951 | 34,368 | 5,126 | 5,887 | 5,915 | 19,744 | - | 5,839 |
| Mohlabane RJ | 37,860 | 38,335 | 38,812 | 39,059 | 39,560 | 40,063 | 40,568 | 41,074 | 41,589 | 42,105 | 42,624 | 43,144 |
| Mokoakoa MI | 29,900 | 29,900 | 30,311 | 25,564 | 21,011 | 21,444 | 11,912 | 12,316 | 7,711 | - | - | - |
| Mokoena JI * | 8,783 | 9,598 | 9,413 | 8,411 | 7,237 | 6,194 | 2,160 | 3,115 | - | - | - | - |
| Mononyane MB | 769 | 1,479 | 2,587 | 3,804 | 5,045 | 6,297 | 7,558 | 8,830 | 10,114 | 11,408 | 12,713 | 14,028 |
| Monyakoana NPM | 5,974 | 6,343 | 6,712 | 7,044 | 7,451 | 7,861 | 8,253 | 8,644 | 9,043 | 9,441 | 9,842 | 10,255 |
| Morake AM | - | - | - | - | - | - | - | - | - | - | 358 | 935 |
| Motloung MV | 1,185 | 1,191 | 1,197 | 1,197 | 1,203 | 1,210 | 1,216 | 1,222 | 1,228 | 1,235 | 1,241 | 1,247 |
| Mvuyo A | 9,109 | 9,411 | 9,750 | 8,488 | 7,303 | 5,520 | 2,676 | 2,967 | 4,043 | 2,864 | 1,659 | 457 |
| Naiile TJ | 1,451 | 1,623 | 1,796 | 1,793 | 1,805 | 636 | 73 | 265 | 68 | - | - | - |
| Ndzuzo T | 97 | 134 | 172 | 221 | 273 | 316 | 359 | 403 | 447 | 491 | 536 | 581 |
| Nkhabu ML | 19,286 | 19,464 | 19,642 | 16,557 | 13,473 | 13,666 | 7,304 | 7,497 | 4,412 | 1,327 | - | - |
| Nkoe MJ | 147,802 | 148,095 | 150,109 | 148,031 | 149,683 | 153,378 | 154,650 | 156,645 | 158,815 | 160,441 | 162,157 | 164,260 |
| Nothnagel J | 3,456 | 4,893 | 6,346 | 7,878 | 9,465 | 11,065 | 12,678 | 14,304 | 15,946 | 17,601 | 19,270 | 20,953 |
| Petersen JE | 3,069 | 4,568 | 6,071 | 7,462 | 7,968 | 660 | 132 | 132 | 132 | 132 | 132 | 132 |
| Phalatse OP | 1,165 | 1,362 | 1,561 | 1,766 | 1,984 | 2,203 | 2,424 | 2,646 | 2,871 | 3,097 | 3,325 | 3,554 |
| Pongolo DX | 9,216 | 9,531 | 9,845 | 8,598 | 7,350 | 7,690 | 4,854 | 5,195 | 3,947 | 2,699 | 1,451 | 203 |
| Poone PP | 430 | 433 | 436 | 462 | 494 | 526 | 558 | 590 | 622 | 655 | 688 | 722 |
| Pretorius JC | - | - | - | - | - | - | - | - | - | 1,667 | - | - |
| Pretorius S | 1,888 | 1,238 | - | - | 267 | 1,787 | 3,466 | 4,846 | 8,068 | 9,382 | 13,272 | 11,567 |
| Qwema MB | 2,101 | 2,304 | 2,509 | 2,714 | 2,938 | 3,163 | 3,390 | 3,619 | 3,850 | 4,082 | 4,317 | 4,552 |
| Ranchobe T | - | - | - | 26 | 54 | 83 | 111 | 139 | 168 | 196 | 224 | 253 |
| Ratsiu NA | 2,955 | 3,223 | 3,277 | - | - | 766 | 682 | 1,682 | 1,909 | 1,666 | 1,439 | 1,218 |
| Sebolao JE | 36,561 | 38,100 | 39,974 | 41,653 | 34,175 | 35,212 | 37,130 | 38,338 | 38,824 | 36,431 | 35,961 | 35,510 |
| Sefuthi NM | 4,179 | 4,245 | 4,406 | 4,581 | 4,763 | 4,946 | 5,128 | 5,311 | 5,493 | 5,676 | 4,830 | 5,012 |
| Seleke PL | 6,718 | 6,768 | 6,817 | 6,843 | 6,921 | 6,999 | 7,078 | 7,156 | 7,236 | 7,316 | 7,397 | 7,477 |
| Shounyana MM | 8,354 | 8,822 | 9,293 | 8,371 | 7,528 | 5,263 | 2,985 | 3,591 | 2,669 | 1,639 | - | 353 |

Mangaung Metropolitan Municipality
Appendix B to the Annual Financial Statements for the year ended 30 June 2019
Councillors' arrear consumer accounts (over 90 days) Municipal debt - Audited

| Surname & Initials | July 2018 | August 2018 | September 2018 | October 2018 | November 2018 | December 2018 | January 2019 | February 2019 | March 2019 | April 2019 | May 2019 | June 2019 |
|-------------------------------|------------------|--------------------|-----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|-------------------|-------------------|-----------------|------------------|
| Siyonzana MA | 12,123 | 7,071 | 17 | - | - | 2,770 | 7,565 | 12,135 | 18,508 | 14,599 | 21,305 | 21,750 |
| Snyman van Deventer E | 978 | 318 | - | 371 | 923 | 1,480 | - | - | - | - | - | - |
| Terblanche AP | 44,566 | 46,042 | 47,528 | - | - | 4,000 | - | 5,243 | 6,485 | 7,739 | 3,765 | 5,070 |
| Thatho MV | - | - | - | - | - | - | - | - | - | 1,283 | 1,920 | 2,570 |
| Thipenyane G | - | 6 | - | - | - | - | - | - | - | - | 578 | 3,043 |
| Thwala ZJ | 7,325 | 7,298 | 7,397 | 6,067 | 4,809 | 4,847 | 2,210 | 2,336 | 1,132 | 137 | - | - |
| Titi LM | 7,498 | 8,678 | 9,866 | 9,206 | 7,477 | 8,759 | 4,050 | 5,336 | 3,609 | 1,872 | 3,489 | 864 |
| Tladi MM | - | - | - | - | - | - | - | - | 4 | 13 | 24 | - |
| TOTAL | 691,337 | 702,491 | 715,383 | 631,896 | 559,923 | 559,903 | 437,140 | 471,368 | 474,762 | 472,966 | 423,372 | 434,749 |

* The individual was a councillor until February 2019.

Mangaung Metropolitan Municipality

Appendix B to the Annual Financial Statements for the year ended 30 June 2019

Councillors' arrear consumer accounts (over 90 days) Municipal Debt - Audited

| Surname & Initials | July 2017 | August 2017 | September 2017 | October 2017 | November 2017 | December 2017 | January 2018 | February 2018 | March 2018 | April 2018 | May 2018 | June 2018 |
|--------------------|-----------|-------------|----------------|--------------|---------------|---------------|--------------|---------------|------------|------------|----------|-----------|
| Chaka NS | 25,892 | 26,797 | 27,682 | 28,468 | 29,033 | 29,657 | 30,367 | 31,079 | 31,797 | 32,518 | 33,244 | 33,982 |
| Dyosiba S | 947 | 1,186 | 1,427 | 1,728 | 1,991 | 1,877 | 2,164 | 1,764 | 1,947 | 1,764 | 1,764 | 1,764 |
| Ferreira TI | - | - | - | 20 | 172 | 367 | - | - | - | 201 | 397 | 4,614 |
| Gailele IL | 3,718 | 2,718 | 1,718 | 1,137 | 492 | 869 | 1,242 | 1,610 | 1,973 | 2,339 | 2,709 | 3,081 |
| Goliath EK | 71,948 | 74,147 | 76,128 | 78,348 | 81,027 | 83,102 | 84,990 | 86,888 | 88,801 | 90,724 | 92,658 | 94,615 |
| Khunou LM | 761 | 766 | 771 | 776 | 781 | 785 | 790 | 795 | 800 | - | - | - |
| Kotze GDP | - | - | - | - | - | - | 431 | 859 | 1,293 | 1,728 | 2,167 | 2,617 |
| Mabale G | 7,184 | 7,247 | 7,312 | 10,102 | 10,629 | 11,189 | 12,124 | 12,250 | 12,969 | 13,529 | 15,225 | 15,940 |
| Mahase MM | 3,201 | 3,433 | 3,468 | 3,715 | 3,916 | 4,142 | - | - | - | - | - | - |
| Makhalanyane TS | 185 | 197 | 209 | 210 | 211 | 212 | 222 | 232 | 241 | 251 | 261 | 271 |
| Mangcotywa ZE | - | - | - | 209 | 539 | 652 | 1,006 | 779 | 898 | 727 | 734 | 710 |
| Mapitse TK | - | - | - | 21,191 | 21,434 | 21,863 | 22,387 | 22,912 | 23,115 | 23,721 | 24,019 | 24,402 |
| Masoetsa LA | 8,387 | 11,136 | 13,682 | 19,105 | 20,829 | 23,490 | 26,871 | 30,261 | 33,691 | 37,135 | 40,606 | 44,142 |
| Masoeu TD | - | - | - | 653 | 1,131 | 1,842 | 3,315 | 4,788 | 4,279 | 4,275 | 2,739 | 869 |
| Matetha R | 1,184 | - | - | 43 | 552 | 952 | 1,454 | 1,454 | 1,454 | - | - | 334 |
| Mlamleli SM | - | - | - | 759 | 33 | - | - | - | - | - | - | - |
| Mogapi KT | - | - | - | 210 | 376 | 166 | 357 | - | - | - | - | - |
| Mohibidu PM | 60,116 | 64,660 | 68,692 | 72,961 | 69,870 | 72,717 | 74,931 | 75,695 | 35,220 | 36,253 | 37,296 | 38,580 |
| Mohlabane RJ | 26,482 | 26,997 | 27,503 | 28,292 | 28,973 | 29,720 | 30,560 | 31,137 | 31,203 | 31,637 | 32,076 | 37,426 |
| Mokoakoa MI | 44,379 | 46,570 | 48,701 | 50,768 | 52,561 | 54,565 | 56,067 | 57,576 | 59,101 | 56,067 | 29,900 | 29,900 |
| Mokoena JI | 16,182 | 16,187 | 13,050 | 15,368 | 17,455 | 13,073 | 8,241 | 9,054 | 8,327 | 8,589 | 9,403 | 8,459 |
| Morake AM | - | - | - | 51 | 803 | 794 | 1,692 | 798 | - | - | - | - |
| Mononyane MB | - | - | - | - | - | 4,250 | 4,980 | 5,716 | 6,459 | 206 | 258 | 315 |
| Monyakoana NPM | 1,760 | 2,158 | 2,544 | 2,880 | 3,163 | 3,484 | 3,833 | 4,181 | 4,535 | 4,889 | 5,245 | 5,613 |
| Motloung MV | 1,108 | 1,115 | 1,121 | 1,128 | 1,134 | 1,141 | 1,147 | 1,153 | 1,160 | 1,166 | 1,172 | 1,179 |
| Motsomi TE | 20,233 | - | - | - | - | - | - | - | - | - | - | - |
| Mvuyo A | 6,067 | 6,125 | 6,392 | 6,734 | 7,019 | 7,332 | 7,647 | 7,956 | 8,284 | 8,115 | 8,447 | 8,738 |
| Nkhabu ML | 8,249 | 12,269 | 13,815 | 15,471 | 17,741 | 19,422 | 20,170 | 20,857 | 21,593 | 17,669 | 18,403 | 18,949 |
| Phalatse OP | - | - | - | 109 | 275 | 464 | 654 | 846 | 385 | 580 | 777 | 969 |
| Naile TJ | 571 | 375 | 178 | 174 | 129 | 303 | - | - | - | - | - | - |
| Ndzuzo T | - | - | - | - | - | - | - | - | - | - | - | 43 |
| Nkoe MJ | 111,929 | 114,313 | 116,414 | 118,104 | 119,601 | 121,232 | 176,947 | 177,480 | 183,313 | 187,559 | 208,431 | 216,222 |
| Nothnagel J | 17,675 | 20,391 | 23,132 | 25,905 | 28,464 | 1,399 | - | - | - | - | 622 | 1,680 |
| Petersen JE | 321 | 353 | 377 | 132 | 132 | 132 | 132 | 132 | 132 | 132 | 737 | 1,908 |
| Pongolo DX | 4,735 | 5,411 | 6,088 | 6,428 | 6,713 | 7,026 | 7,338 | 7,651 | 7,964 | 8,276 | 8,589 | 8,902 |
| Poone PP | 396 | 396 | 396 | 400 | 403 | 406 | 410 | 413 | 416 | 420 | 423 | 426 |
| Pretorius S | 3,907 | 3,230 | 2,784 | 2,389 | 2,227 | 2,247 | 23,787 | 24,687 | 21,631 | 21,236 | 21,252 | 21,293 |
| Pretorius JC | - | - | - | - | - | - | 775 | 66 | 132 | 199 | 266 | 333 |
| Ratsiu NA | 2,725 | 2,790 | 2,855 | 3,261 | 3,525 | 3,821 | 4,112 | 2,112 | 2,112 | 2,173 | 2,394 | 2,673 |
| Sebolao JE | 16,896 | 18,594 | 20,607 | 22,517 | 24,165 | 25,981 | 27,704 | 29,626 | 31,276 | 33,172 | 34,939 | 36,773 |
| Sefuthi NM | 2,316 | 2,552 | 2,799 | 3,061 | 3,254 | 3,472 | 3,682 | 3,422 | 3,567 | 3,744 | 3,922 | 4,018 |
| Seleke PL | 9,044 | 9,208 | 6,160 | 6,238 | 6,314 | 6,365 | 6,416 | 6,466 | 6,517 | 6,568 | 6,618 | 6,669 |
| Shounyana MM | 1,903 | 2,862 | 2,964 | 3,434 | 3,815 | 4,245 | 4,820 | 5,396 | 5,978 | 6,563 | 7,152 | 7,753 |
| Siyonzana MA | 70 | 1,264 | 34 | 1,909 | 2,240 | 4,333 | 6,844 | 7,621 | 6,815 | 10,031 | 11,887 | 11,054 |

Mangaung Metropolitan Municipality
Appendix B to the Annual Financial Statements for the year ended 30 June 2019
Councillors' arrear consumer accounts (over 90 days) Municipal debt - Audited

| Surname & Initials | July 2017 | August 2017 | September 2017 | October 2017 | November 2017 | December 2017 | January 2018 | February 2018 | March 2018 | April 2018 | May 2018 | June 2018 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Snyman van Deventer E | 1,130 | 1,813 | - | 72 | 499 | 751 | 978 | 1,147 | 1,317 | 1,491 | 1,664 | 978 |
| Terblanche AP | 28,052 | 29,234 | 30,426 | 31,871 | 33,198 | 34,569 | 36,004 | 37,423 | 38,851 | 40,290 | 41,740 | 43,099 |
| Thwala ZJ | 6,689 | - | - | - | - | - | - | - | - | - | 7,119 | 7,172 |
| Titi LM | - | - | - | - | - | 1,953 | 3,054 | 4,172 | 5,301 | 6,438 | 7,586 | 6,328 |
| Qwema MB | 162 | 162 | 162 | 372 | 539 | 728 | 919 | 1,112 | 1,307 | 1,503 | 1,700 | 1,899 |
| TOTAL | 516,504 | 516,656 | 529,591 | 586,703 | 607,358 | 607,090 | 701,564 | 719,566 | 696,154 | 703,878 | 726,541 | 756,692 |

Mangaung Metropolitan Municipality

Appendix B to the Annual Financial Statements for the year ended 30 June 2019

Councillors' arrear consumer accounts (over 90 days) Electricity debt - Audited

| Surname & Initials | July 2018 | August 2018 | September 2018 | October 2018 | November 2018 | December 2018 | January 2019 | February 2019 | March 2019 | April 2019 | May 2019 | June 2019 |
|-----------------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Snyman van Deventer E | 454 | 454 | 454 | 454 | 454 | 454 | 454 | 454 | 454 | 454 | 454 | 454 |
| Monanyane MB | 77,215 | 76,082 | 74,939 | 73,788 | 72,628 | 71,467 | 71,807 | 70,641 | 69,467 | 68,284 | 68,601 | 67,416 |
| Sechoaro CSK | 3,826 | 3,826 | 3,826 | 3,826 | 3,826 | 3,826 | 3,826 | 3,826 | 3,826 | 3,826 | 3,826 | 3,826 |
| Nothnagel J | 22,960 | 22,960 | - | - | - | - | - | - | - | - | - | - |
| Masoetsa LA | 11,731 | 11,800 | - | - | - | - | - | - | - | - | - | - |
| Siyonzana MA | 79,939 | 80,473 | - | - | - | - | - | - | - | - | - | - |
| Mashoane ED | 680 | 680 | - | - | - | - | - | - | - | - | - | - |
| Marais ME | 23,996 | 24,161 | - | - | - | - | - | - | - | - | - | - |
| TOTAL | 220,801 | 220,436 | 79,219 | 78,068 | 76,908 | 75,747 | 76,087 | 74,921 | 73,747 | 72,564 | 72,881 | 71,696 |

| Surname & Initials | July 2017 | August 2017 | September 2017 | October 2017 | November 2017 | December 2017 | January 2018 | February 2018 | March 2018 | April 2018 | May 2018 | June 2018 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Snyman van Deventer E | 454 | 454 | 454 | 454 | 454 | 454 | 454 | 454 | 454 | 454 | 454 | 454 |
| Ferreira TI | 1,911 | 1,911 | 1,911 | 1,911 | 1,911 | 1,911 | 1,911 | 1,911 | 1,911 | 1,911 | 1,911 | 1,231 |
| Petersen JE | 11,960 | 11,960 | 11,960 | 11,960 | 11,960 | 11,960 | 11,960 | 11,960 | 11,960 | 11,960 | 11,960 | 11,960 |
| Nothnagel J | 21,901 | 21,901 | 21,901 | 21,901 | 21,901 | 21,901 | 21,901 | 21,901 | 21,901 | 21,901 | 21,901 | 21,901 |
| Masoetsa LA | 10,890 | 10,960 | 11,031 | 11,101 | 11,172 | 11,243 | 11,313 | 11,384 | 11,455 | 11,524 | 11,593 | 11,662 |
| Siyonzana MA | 96,020 | 98,619 | 102,720 | 105,510 | 109,158 | 109,665 | 110,211 | 110,756 | 111,302 | 111,835 | 112,368 | 112,902 |
| Van Der Merwe R | 1,118 | 1,132 | 1,146 | 1,155 | 1,165 | 1,179 | 1,353 | 2,222 | 916 | 1,825 | 981 | 990 |
| Pretorius S | 3,911 | 3,911 | 3,911 | 3,911 | 3,911 | 3,911 | 3,911 | 3,911 | 3,911 | 3,911 | 3,911 | 3,911 |
| Rasoeu LE | 564 | 564 | 564 | 564 | 564 | 564 | 564 | 564 | 564 | 564 | 564 | 564 |
| Sebolai JJ | 463 | 463 | 463 | 463 | 463 | 463 | 463 | 463 | 463 | 463 | 463 | 463 |
| Mokoena JI | 38,692 | 38,692 | 38,692 | 38,692 | 38,692 | 38,692 | 38,692 | 38,692 | 38,692 | 38,692 | 38,692 | 38,692 |
| TOTAL | 187,884 | 190,567 | 194,753 | 197,622 | 201,351 | 201,943 | 202,733 | 204,218 | 203,529 | 205,040 | 204,798 | 204,730 |

Mangaung Metropolitan Municipality
Appendix C to the Annual Financial Statements for the year ended 30 June 2019
Segmental Statement of Financial Performance - Unaudited

Segmental Statement of Financial Performance for the year ended

| | 30 June 2018 | 30 June 2019 | |
|---|----------------------|----------------------|----------------------|
| | Actual Income | Actual Expenditure | Surplus /(Deficit) |
| | Rand | Rand | Rand |
| Total Municipality Votes | | | |
| Office of the City Manager | 187 | 121,872,175 | (121,871,988) |
| Office of the Executive Mayor | - | 238,690,617 | (238,690,617) |
| Corporate Services | 6,979,622 | 296,316,339 | (289,336,717) |
| Finance | 1,438,508,796 | 250,647,810 | 1,187,860,986 |
| Social Services | 63,900,237 | 553,285,425 | (489,385,188) |
| Planning | 37,202,533 | 90,328,586 | (53,126,053) |
| Human Settlement & Housing | 43,839,952 | 103,906,476 | (60,066,524) |
| Economic & Rural Development | 4,545 | 32,155,239 | (32,150,694) |
| Engineering Services | 479,273,707 | 974,294,112 | (495,020,405) |
| Water Services | 1,151,794,865 | 1,630,283,464 | (478,488,599) |
| Waste & Fleet Services | 347,960,093 | 441,198,832 | (93,238,739) |
| Miscellaneous Services | 1,221,501,047 | 330,614,499 | 890,886,548 |
| Strategic Services and Service Delivery | - | 51,288,652 | (51,288,652) |
| Naledi | 3,273 | 53,184,912 | (53,181,639) |
| Centlec (SOC) Ltd | 2,341,299,221 | 2,232,956,725 | 108,342,496 |
| | 7,132,268,078 | 7,401,023,863 | (268,755,785) |
| | - | - | - |

Mangaung Metropolitan Municipality
Appendix D(1) to the Annual Financial Statements for the year ended 30 June 2019
Actual versus Budget (Revenue and Expenditure) - Audited

**Actual versus Budget(Revenue and
Expenditure) for the year ended
30 June 2019**

| | Adjusted budget Rand | Act. Bal. Rand | Variance Rand | % Var |
|---|---------------------------------|---------------------------|--------------------------|------------------|
| Expenditure by Vote | | | | |
| Office of the City Manager | 133,061,314 | 121,872,175 | 11,189,139 | 9.2 |
| Office of the Executive Mayor | 236,683,614 | 238,690,617 | (2,007,003) | (0.8) |
| Corporate Services | 277,504,833 | 357,978,126 | (80,473,293) | (22.5) |
| Finance | 265,559,127 | 248,632,593 | 16,926,534 | 6.8 |
| Social Services | 514,463,652 | 553,285,425 | (38,821,773) | (7.0) |
| Planning | 104,056,502 | 90,328,586 | 13,727,916 | 15.2 |
| Human Settlements | 114,168,570 | 103,906,476 | 10,262,094 | 9.9 |
| Economic & Rural development | 34,636,154 | 32,155,239 | 2,480,915 | 7.7 |
| Engineering services | 652,256,146 | 1,008,841,872 | (356,585,726) | (35.3) |
| Water services | 991,536,439 | 1,655,444,884 | (663,908,445) | (40.1) |
| Waste & Fleet services | 396,038,504 | 441,204,215 | (45,165,711) | (10.2) |
| Miscellaneous services | 197,581,572 | 361,767,635 | (164,186,063) | (45.4) |
| Strategic projects and service delivery | 41,088,541 | 51,288,652 | (10,200,111) | (19.9) |
| Naledi Infrastructure | 50,570,713 | 53,184,912 | (2,614,199) | (4.9) |
| Centlec (SOC) Ltd | 2,455,806,910 | 2,443,663,331 | 12,143,579 | 0.5 |
| Total expenditure per vote | 6,465,012,591 | 7,762,244,738 | (1,297,232,147) | (16.7) |

Mangaung Metropolitan Municipality
Appendix D(2) to the Annual Financial Statements for the year ended 30 June 2019
Actual versus Budget (Acquisition of Property, Plant and Equipment) - Audited

Budget Analysis of Capital Expenditure for the year ended
30 June 2019

| | Additions Rand | Original Budget Rand | Revised Budget Rand | Variance Rand | Variance % |
|---|---------------------------|---------------------------------|--------------------------------|--------------------------|-----------------------|
| Municipal Votes | | | | | |
| Office of the City Manager | 92,052,751 | 175,000,000 | 142,000,000 | 49,947,249 | 35 |
| Office of the Executive Mayor | - | - | - | - | - |
| Corporate Services | 6,120,528 | 15,655,000 | 16,055,000 | 9,934,472 | 62 |
| Finance | 215,895 | 4,350,000 | 4,350,000 | 4,134,105 | 95 |
| Social Services | 24,451,606 | 10,000,000 | 37,000,000 | 12,548,394 | 34 |
| Planning | 11,764,333 | 56,370,660 | 24,026,871 | 12,262,538 | 51 |
| Human Settlement | 102,824,130 | 228,700,000 | 191,648,662 | 88,824,532 | 46 |
| Economic and Rural Development | 6,590,497 | 18,007,000 | 18,007,000 | 11,416,503 | 63 |
| Engineering Services | 236,376,129 | 309,952,351 | 347,328,294 | 110,952,165 | 32 |
| Water Services | 124,553,353 | 143,286,889 | 317,137,971 | 192,584,618 | 61 |
| Waste and Fleet Services | 26,704,998 | 59,484,360 | 43,919,381 | 17,214,383 | 39 |
| Miscellaneous Services | - | - | - | - | - |
| Strategic Projects and Service Delivery | 8,294,404 | 13,000,000 | 13,000,000 | 4,705,596 | 36 |
| Naledi Infrastructure | - | - | - | - | - |
| Centlec (SOC) Limited | 182,548,423 | 96,647,176 | 194,651,063 | 12,102,640 | 6 |
| | 822,497,047 | 1,130,453,436 | 1,349,124,242 | 526,627,195 | 39 |

Mangaung Metropolitan Municipality
Appendix F1 to the Annual Financial Statements for the year ended 30 June 2019
Budgeted Financial Performance (revenue & expenditure - functional classification) - Unaudited

2019/2018

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Budget Adjustments | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|---|-------------------------------------|--|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue - Functional | | | | | | | | | | | |
| Municipal governance and administration | 2,819,999,668 | 228,794,496 | 3,048,794,164 | - | | 3,048,794,164 | 2,733,753,047 | | (315,041,117) | 90 % | 97 % |
| Executive and council | - | 10,530 | 10,530 | - | | 10,530 | 623,841 | | 613,311 | 5,924 % | DIV/0 % |
| Finance and administration | 2,819,999,668 | 228,783,966 | 3,048,783,634 | - | | 3,048,783,634 | 2,733,129,206 | | (315,654,428) | 90 % | 97 % |
| Internal audit | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % |
| Community and public safety | 74,795,924 | (12,859,223) | 61,936,701 | - | | 61,936,701 | 73,779,306 | | 11,842,605 | 119 % | 99 % |
| Community and social services | 5,992,324 | (1,984,023) | 4,008,301 | - | | 4,008,301 | 5,074,417 | | 1,066,116 | 127 % | 85 % |
| Sport and recreation | 4,921,370 | 1,963,262 | 6,884,632 | - | | 6,884,632 | 4,007,624 | | (2,877,008) | 58 % | 81 % |
| Public safety | 33,247,260 | 20,761 | 33,268,021 | - | | 33,268,021 | 54,576,277 | | 21,308,256 | 164 % | 164 % |
| Housing | 30,629,705 | (12,853,958) | 17,775,747 | - | | 17,775,747 | 10,120,988 | | (7,654,759) | 57 % | 33 % |
| Health | 5,265 | (5,265) | - | - | | - | - | | - | DIV/0 % | - % |
| Economic and environmental services | 18,825,800 | (5,265) | 18,820,535 | - | | 18,820,535 | 28,448,480 | | 9,627,945 | 151 % | 151 % |
| Planning and development | 18,661,321 | (10,530) | 18,650,791 | - | | 18,650,791 | 9,878,007 | | (8,772,784) | 53 % | 53 % |
| Road transport | - | - | - | - | | - | 18,284,298 | | 18,284,298 | DIV/0 % | DIV/0 % |
| Environmental protection | 164,479 | 5,265 | 169,744 | - | | 169,744 | 286,175 | | 116,431 | 169 % | 174 % |
| Trading services | 4,396,251,375 | 150,929,000 | 4,547,180,375 | - | | 4,547,180,375 | 4,295,906,686 | | (251,273,689) | 94 % | 98 % |
| Energy sources | 2,435,415,834 | 206,945,418 | 2,642,361,252 | - | | 2,642,361,252 | 2,341,299,221 | | (301,062,031) | 89 % | 96 % |
| Water management | 1,264,414,310 | (56,016,418) | 1,208,397,892 | - | | 1,208,397,892 | 1,151,794,865 | | (56,603,027) | 95 % | 91 % |
| Waste water management | 375,041,063 | - | 375,041,063 | - | | 375,041,063 | 462,298,267 | | 87,257,204 | 123 % | 123 % |
| Waste management | 321,380,168 | - | 321,380,168 | - | | 321,380,168 | 340,514,333 | | 19,134,165 | 106 % | 106 % |
| Other | 27,692,246 | (26,710,008) | 982,238 | - | | 982,238 | 380,558 | | (601,680) | 39 % | 1 % |
| Other | 27,692,246 | (26,710,008) | 982,238 | - | | 982,238 | 380,558 | | (601,680) | 39 % | 1 % |
| Total Revenue - Functional | 7,337,565,013 | 340,149,000 | 7,677,714,013 | - | | 7,677,714,013 | 7,132,268,077 | | (545,445,936) | 93 % | 97 % |

Mangaung Metropolitan Municipality
Appendix F1 to the Annual Financial Statements for the year ended 30 June 2019
Budgeted Financial Performance (revenue & expenditure - functional classification) - Unaudited

2019/2018

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|---|-------------------------------------|--|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Expenditure - Functional | | | | | | | | | | | |
| Governance and administration | 1,276,228,177 | (8,315,609) | 1,267,912,568 | - | - | 1,267,912,568 | 1,409,876,302 | - | 141,963,734 | 111 % | 110 % |
| Executive and council | 417,509,798 | (285,788,425) | 131,721,373 | - | - | 131,721,373 | 484,221,734 | - | 352,500,361 | 368 % | 116 % |
| Finance and administration | 858,718,379 | 277,472,816 | 1,136,191,195 | - | - | 1,136,191,195 | 925,654,568 | - | (210,536,627) | 81 % | 108 % |
| Internal audit | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % |
| Community and public safety | 622,546,484 | 35,904,892 | 658,451,376 | - | - | 658,451,376 | 724,926,098 | - | 66,474,722 | 110 % | 116 % |
| Community and social services | 230,948,724 | (183,675,303) | 47,273,421 | - | - | 47,273,421 | 54,534,343 | - | 7,260,922 | 115 % | 24 % |
| Sport and recreation | - | 213,240,176 | 213,240,176 | - | - | 213,240,176 | 247,481,527 | - | 34,241,351 | 116 % | DIV/0 % |
| Public safety | 276,406,849 | 20,247,327 | 296,654,176 | - | - | 296,654,176 | 329,008,247 | - | 32,354,071 | 111 % | 119 % |
| Housing | 106,981,854 | (18,554,113) | 88,427,741 | - | - | 88,427,741 | 81,836,472 | - | (6,591,269) | 93 % | 76 % |
| Health | 8,209,057 | 4,646,805 | 12,855,862 | - | - | 12,855,862 | 12,065,509 | - | (790,353) | 94 % | 147 % |
| Economic and environmental services | 490,272,629 | (6,853,962) | 483,418,667 | - | - | 483,418,667 | 699,025,667 | - | 215,607,000 | 145 % | 143 % |
| Planning and development | 122,767,726 | (77,043,922) | 45,723,804 | - | - | 45,723,804 | 54,332,277 | - | 8,608,473 | 119 % | 44 % |
| Road transport | 367,504,903 | 42,742,087 | 410,246,990 | - | - | 410,246,990 | 619,923,732 | - | 209,676,742 | 151 % | 169 % |
| Environmental protection | - | 27,447,873 | 27,447,873 | - | - | 27,447,873 | 24,769,658 | - | (2,678,215) | 90 % | DIV/0 % |
| Trading services | 3,887,902,020 | 160,511,856 | 4,048,413,876 | - | - | 4,048,413,876 | 4,563,049,222 | - | 514,635,346 | 113 % | 117 % |
| Energy sources | 2,307,574,539 | 148,232,371 | 2,455,806,910 | - | - | 2,455,806,910 | 2,232,956,725 | - | (222,850,185) | 91 % | 97 % |
| Water management | 964,700,430 | 30,166,123 | 994,866,553 | - | - | 994,866,553 | 1,633,708,055 | - | 638,841,502 | 164 % | 169 % |
| Waste water management | 345,998,722 | (13,755,534) | 332,243,188 | - | - | 332,243,188 | 441,464,903 | - | 109,221,715 | 133 % | 128 % |
| Waste management | 269,628,329 | (4,131,104) | 265,497,225 | - | - | 265,497,225 | 254,919,539 | - | (10,577,686) | 96 % | 95 % |
| Other | 26,894,252 | (20,078,148) | 6,816,104 | - | - | 6,816,104 | 4,146,574 | - | (2,669,530) | 61 % | 15 % |
| Other | 26,894,252 | (20,078,148) | 6,816,104 | - | - | 6,816,104 | 4,146,574 | - | (2,669,530) | 61 % | 15 % |
| Total Expenditure - Functional | 6,303,843,562 | 161,169,029 | 6,465,012,591 | - | - | 6,465,012,591 | 7,401,023,863 | - | 936,011,272 | 114 % | 117 % |
| Surplus/(Deficit) for the year | 1,033,721,451 | 178,979,971 | 1,212,701,422 | - | - | 1,212,701,422 | (268,755,786) | - | 1,481,457,208 | (22)% | (26)% |

Office of the City Manager
Appendix F2 to the Annual Financial Statements for the year ended 30 June 2019
Budgeted Financial Performance (revenue and expenditure by municipal vote) - Unaudited

2019/2018

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|----------------------|---|--------------------------|----------------------|----------------------|--------------------------|---|-------------------------------------|--|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue by Vote | | | | | | | | | |
| Office of the City Manager | - | - | - | - | 187 | | 187 | DIV/0 % | DIV/0 % |
| Office of the Executive Mayor | - | - | - | - | - | | - | DIV/0 % | DIV/0 % |
| Corporate Services | 11,954,453 | - | 11,954,453 | 11,954,453 | 6,979,622 | | (4,974,831) | 58 % | 58 % |
| Finance | 1,296,408,703 | - | 1,296,408,703 | 1,296,408,703 | 1,438,508,796 | | 142,100,093 | 111 % | 111 % |
| Social Services | 43,395,572 | - | 43,395,572 | 43,395,572 | 63,900,237 | | 20,504,665 | 147 % | 147 % |
| Planning | 45,360,799 | - | 45,360,799 | 45,360,799 | 37,202,533 | | (8,158,266) | 82 % | 82 % |
| Human Settlement and Housing | 30,629,705 | - | 30,629,705 | 30,629,705 | 43,839,952 | | 13,210,247 | 143 % | 143 % |
| Economic and Rural Development | 10,530 | - | 10,530 | 10,530 | 4,545 | | (5,985) | 43 % | 43 % |
| Engineering Services | 375,041,063 | - | 375,041,063 | 375,041,063 | 479,273,707 | | 104,232,644 | 128 % | 128 % |
| Water Services | 1,264,414,310 | (56,016,418) | 1,208,397,892 | 1,208,397,892 | 1,151,794,865 | | (56,603,027) | 95 % | 91 % |
| Waste and Fleet Services | 321,380,168 | - | 321,380,168 | 321,380,168 | 347,960,093 | | 26,579,925 | 108 % | 108 % |
| Miscellaneous Services | 1,513,553,876 | 189,220,000 | 1,702,773,876 | 1,702,773,876 | 1,221,501,047 | | (481,272,829) | 72 % | 81 % |
| Strategic Projects and Service Delivery | - | - | - | - | - | | - | DIV/0 % | DIV/0 % |
| Naledi Infrastructure | - | - | - | - | 3,273 | | 3,273 | DIV/0 % | DIV/0 % |
| Centec (SOC) Limited | 2,435,415,834 | 206,945,418 | 2,642,361,252 | 2,642,361,252 | 2,341,299,221 | | (301,062,031) | 89 % | 96 % |
| Total Revenue by Vote | 7,337,565,013 | 340,149,000 | 7,677,714,013 | 7,677,714,013 | 7,132,268,078 | | (545,445,935) | 93 % | 97 % |
| Expenditure by Vote to be appropriated | | | | | | | | | |
| Office of the City Manager | 103,818,189 | 29,243,125 | 133,061,314 | 133,061,314 | 121,872,175 | - | (11,189,139) | 92 % | 117 % |
| Office of the Executive Mayor | 223,923,541 | 12,760,073 | 236,683,614 | 236,683,614 | 238,690,617 | - | 2,007,003 | 101 % | 107 % |
| Corporate Services | 282,179,530 | (4,674,697) | 277,504,833 | 277,504,833 | 296,316,339 | - | 18,811,506 | 107 % | 105 % |
| Finance | 267,081,295 | (1,522,168) | 265,559,127 | 265,559,127 | 250,647,810 | - | (14,911,317) | 94 % | 94 % |
| Social Services | 511,073,237 | 3,390,415 | 514,463,652 | 514,463,652 | 553,285,425 | - | 38,821,773 | 108 % | 108 % |
| Planning | 111,758,730 | (7,702,228) | 104,056,502 | 104,056,502 | 90,328,586 | - | (13,727,916) | 87 % | 81 % |
| Human Settlement and Housing | 106,981,854 | 7,186,716 | 114,168,570 | 114,168,570 | 103,906,476 | - | (10,262,094) | 91 % | 97 % |
| Economic and Rural Development | 37,903,248 | (3,267,094) | 34,636,154 | 34,636,154 | 32,155,239 | - | (2,480,915) | 93 % | 85 % |
| Engineering Services | 713,503,625 | (61,247,479) | 652,256,146 | 652,256,146 | 974,294,112 | - | 322,037,966 | 149 % | 137 % |
| Water Services | 964,700,430 | 26,836,009 | 991,536,439 | 991,536,439 | 1,630,283,464 | - | 638,747,025 | 164 % | 169 % |
| Waste and Fleet Services | 379,981,459 | 16,057,045 | 396,038,504 | 396,038,504 | 441,198,832 | - | 45,160,328 | 111 % | 116 % |
| Miscellaneous Services | 203,595,817 | (6,014,245) | 197,581,572 | 197,581,572 | 330,614,499 | - | 133,032,927 | 167 % | 162 % |
| Strategic Projects and Service Delivery | 41,088,541 | - | 41,088,541 | 41,088,541 | 51,288,652 | - | 10,200,111 | 125 % | 125 % |
| Naledi Infrastructure | 48,679,527 | 1,891,186 | 50,570,713 | 50,570,713 | 53,184,912 | - | 2,614,199 | 105 % | 109 % |
| Centec (SOC) Limited | 2,307,574,539 | 148,232,371 | 2,455,806,910 | 2,455,806,910 | 2,232,956,725 | - | (222,850,185) | 91 % | 97 % |
| Total Expenditure by Vote | 6,303,843,562 | 161,169,029 | 6,465,012,591 | 6,465,012,591 | 7,401,023,863 | - | 936,011,272 | 114 % | 117 % |
| Surplus/(Deficit) for the year | 1,033,721,451 | 178,979,971 | 1,212,701,422 | 1,212,701,422 | (268,755,785) | | (1,481,457,207) | (22)% | (26)% |

Mangaung Metropolitan Municipality
Appendix F3 for the Annual Financial Statements for the year ended 30 June 2019
Budgeted Financial Performance (revenue and expenditure) - Unaudited

2019/2018

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--|----------------------|---|--------------------------|--|---|----------------------|------------------------|--------------------------|--|-------------------------------------|--|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue By Source | | | | | | | | | | | |
| Property rates | 1,127,398,719 | - | 1,127,398,719 | - | - | 1,127,398,719 | 1,209,977,461 | - | 82,578,742 | 107 % | 107 % |
| Service charges - electricity revenue | 2,372,147,822 | 202,620,550 | 2,574,768,372 | - | - | 2,574,768,372 | 2,264,139,445 | - | (310,628,927) | 88 % | 95 % |
| Service charges - water revenue | 889,907,554 | (56,016,418) | 833,891,136 | - | - | 833,891,136 | 797,862,172 | - | (36,028,964) | 96 % | 90 % |
| Service charges - sanitation revenue | 275,515,570 | - | 275,515,570 | - | - | 275,515,570 | 323,382,930 | - | 47,867,360 | 117 % | 117 % |
| Service charges - refuse revenue | 121,711,699 | - | 121,711,699 | - | - | 121,711,699 | 120,875,772 | - | (835,927) | 99 % | 99 % |
| Service charges - other | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % |
| Rental of facilities and equipment | 24,612,758 | - | 24,612,758 | - | - | 24,612,758 | 45,993,142 | - | 21,380,384 | 187 % | 187 % |
| Interest earned - external investments | 26,006,989 | - | 26,006,989 | - | - | 26,006,989 | 20,723,919 | - | (5,283,070) | 80 % | 80 % |
| Interest earned - outstanding debtors | 213,787,904 | - | 213,787,904 | - | - | 213,787,904 | 288,326,106 | - | 74,538,202 | 135 % | 135 % |
| Dividends received | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % |
| Fines, penalties and forfeits | 47,745,010 | - | 47,745,010 | - | - | 47,745,010 | 61,183,764 | - | 13,438,754 | 128 % | 128 % |
| Licences and permits | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % |
| Agency services | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % |
| Transfers and subsidies | 1,005,957,210 | 239,034,000 | 1,244,991,210 | - | - | 1,244,991,210 | 1,096,921,995 | - | (148,069,215) | 88 % | 109 % |
| Other revenue | 199,307,439 | - | 199,307,439 | - | - | 199,307,439 | 125,707,565 | - | (73,599,874) | 63 % | 63 % |
| Gains on disposal of PPE | - | 324,868 | 324,868 | - | - | 324,868 | 1,000 | - | (323,868) | - % | DIV/0 % |
| Total Revenue (excluding capital transfers and contributions) | 6,304,098,674 | 385,963,000 | 6,690,061,674 | - | - | 6,690,061,674 | 6,355,095,271 | - | (334,966,403) | 95 % | 101 % |
| Expenditure By Type | | | | | | | | | | | |
| Employee related costs | 1,947,213,675 | 46,098,089 | 1,993,311,764 | - | - | 1,993,311,764 | 2,045,260,094 | - | 51,948,330 | 103 % | 105 % |
| Remuneration of councillors | 63,341,967 | (180,411) | 63,161,556 | - | - | 63,161,556 | 64,434,209 | - | 1,272,653 | 102 % | 102 % |
| Debt impairment | 353,964,434 | - | 353,964,434 | - | - | 353,964,434 | 765,591,034 | - | 411,626,600 | 216 % | 216 % |
| Depreciation & asset impairment | 406,080,981 | - | 406,080,981 | - | - | 406,080,981 | 957,284,961 | - | 551,203,980 | 236 % | 236 % |
| Finance charges | 171,665,881 | (27,332,138) | 144,333,743 | - | - | 144,333,743 | 178,408,078 | - | 34,074,335 | 124 % | 104 % |
| Bulk purchases | 2,008,859,854 | 91,000,000 | 2,099,859,854 | - | - | 2,099,859,854 | 2,374,102,783 | - | 274,242,929 | 113 % | 118 % |
| Other materials | 84,430,842 | (1,657,671) | 82,773,171 | - | - | 82,773,171 | 71,576,484 | - | (11,196,687) | 86 % | 85 % |
| Contracted services | 813,058,210 | 4,031,203 | 817,089,413 | - | - | 817,089,413 | 632,617,422 | - | (184,471,991) | 77 % | 78 % |
| Transfers and subsidies | 10,272,733 | (2,498,404) | 7,774,329 | - | - | 7,774,329 | 6,659,800 | - | (1,114,529) | 86 % | 65 % |
| Other expenditure | 444,954,985 | 51,708,361 | 496,663,346 | - | - | 496,663,346 | 277,231,415 | - | (219,431,931) | 56 % | 62 % |
| Loss on disposal of PPE | - | - | - | - | - | - | 16,953,221 | - | 16,953,221 | DIV/0 % | DIV/0 % |
| Total Expenditure | 6,303,843,562 | 161,169,029 | 6,465,012,591 | - | - | 6,465,012,591 | 7,390,119,501 | - | 925,106,910 | 114 % | 117 % |
| Surplus/(Deficit) | 255,112 | 224,793,971 | 225,049,083 | - | - | 225,049,083 | (1,035,024,230) | - | (1,260,073,313) | (460)% | (405,714)% |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | 1,023,148,339 | (46,258,339) | 976,890,000 | - | - | 976,890,000 | 774,277,845 | - | (202,612,155) | 79 % | 76 % |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) | 10,318,000 | 444,339 | 10,762,339 | - | - | 10,762,339 | 2,894,963 | - | (7,867,376) | 27 % | 28 % |
| Surplus/(Deficit) after capital transfers & contributions | 1,033,721,451 | 178,979,971 | 1,212,701,422 | - | - | 1,212,701,422 | (257,851,422) | - | (1,470,552,844) | (21)% | (25)% |
| Taxation | - | - | - | - | - | - | (10,904,361) | - | (10,904,361) | DIV/0 % | DIV/0 % |
| Surplus/(Deficit) for the year | 1,033,721,451 | 178,979,971 | 1,212,701,422 | - | - | 1,212,701,422 | (268,755,783) | - | (1,481,457,205) | (22)% | (26)% |

Mangaung Metropolitan Municipality
Appendix F4 to the Annual Financial Statements for the year ended 30 June 2019
Budgeted Capital Expenditure by vote, function and funding - Unaudited

2019

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|----------------------|---|--------------------------|--|---|----------------------|--------------------|--------------------------|---|-------------------------------------|--|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Capital expenditure - Vote | | | | | | | | | | | |
| Multi-year expenditure | | | | | | | | | | | |
| Office of the City Manager | 175,000,000 | (33,000,000) | 142,000,000 | - | - | 142,000,000 | 92,052,751 | - | (49,947,249) | 65 % | 53 % |
| Executive Mayor | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % |
| Corporate Services | 15,655,000 | 400,000 | 16,055,000 | - | - | 16,055,000 | 6,120,528 | - | (9,934,472) | 38 % | 39 % |
| Finance | 4,350,000 | - | 4,350,000 | - | - | 4,350,000 | 215,895 | - | (4,134,105) | 5 % | 5 % |
| Social Services | 10,000,000 | 27,000,000 | 37,000,000 | - | - | 37,000,000 | 24,451,606 | - | (12,548,394) | 66 % | 245 % |
| Planning | 56,370,660 | (32,343,789) | 24,026,871 | - | - | 24,026,871 | 11,764,333 | - | (12,262,538) | 49 % | 21 % |
| Human Settlement | 228,700,000 | (37,051,338) | 191,648,662 | - | - | 191,648,662 | 102,824,130 | - | (88,824,532) | 54 % | 45 % |
| Economic and Rural Development | 18,007,000 | - | 18,007,000 | - | - | 18,007,000 | 6,590,497 | - | (11,416,503) | 37 % | 37 % |
| Engineering Services | 309,952,351 | 37,375,943 | 347,328,294 | - | - | 347,328,294 | 236,376,129 | - | (110,952,165) | 68 % | 76 % |
| Water Services | 143,286,889 | 173,851,082 | 317,137,971 | - | - | 317,137,971 | 124,553,353 | - | (192,584,618) | 39 % | 87 % |
| Waste and Fleet Services | 59,484,360 | (15,564,979) | 43,919,381 | - | - | 43,919,381 | 26,704,998 | - | (17,214,383) | 61 % | 45 % |
| Miscellaneous Services | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % |
| Strategic Projects and Service Delivery | 13,000,000 | - | 13,000,000 | - | - | 13,000,000 | 8,294,404 | - | (4,705,596) | 64 % | 64 % |
| Electricity - Centlec (SOC) Limited | 96,647,176 | 98,003,887 | 194,651,063 | - | - | 194,651,063 | 182,548,423 | - | (12,102,640) | 94 % | 189 % |
| Capital multi-year expenditure sub-total | 1,130,453,436 | 218,670,806 | 1,349,124,242 | - | - | 1,349,124,242 | 822,497,047 | - | (526,627,195) | 61 % | 73 % |
| Capital Expenditure - Functional | | | | | | | | | | | |
| Governance and administration | 247,490,360 | (168,555,100) | 78,935,260 | - | - | 78,935,260 | 40,293,844 | - | (38,641,416) | 51 % | 16 % |
| Executive and council | 188,000,000 | (171,893,000) | 16,107,000 | - | - | 16,107,000 | 12,526,229 | - | (3,580,771) | 78 % | 7 % |
| Finance and administration | 4,350,000 | 58,478,260 | 62,828,260 | - | - | 62,828,260 | 27,767,615 | - | (35,060,645) | 44 % | 638 % |
| Internal audit | 55,140,360 | (55,140,360) | - | - | - | - | - | - | - | DIV/0 % | - % |
| Community and public safety | 256,355,000 | (20,751,338) | 235,603,662 | - | - | 235,603,662 | 129,954,482 | - | (105,649,180) | 55 % | 51 % |
| Community and social services | 10,000,000 | 14,500,000 | 24,500,000 | - | - | 24,500,000 | 18,034,875 | - | (6,465,125) | 74 % | 180 % |
| Sport and recreation | 5,655,000 | 13,150,000 | 18,805,000 | - | - | 18,805,000 | 9,095,477 | - | (9,709,523) | 48 % | 161 % |
| Public safety | 12,000,000 | (11,800,000) | 200,000 | - | - | 200,000 | - | - | (200,000) | - % | - % |
| Housing | 228,700,000 | (37,051,338) | 191,648,662 | - | - | 191,648,662 | 102,824,130 | - | (88,824,532) | 54 % | 45 % |
| Health | - | 450,000 | 450,000 | - | - | 450,000 | - | - | (450,000) | - % | DIV/0 % |
| Economic and environmental services | 211,420,533 | 111,145,903 | 322,566,436 | - | - | 322,566,436 | 203,150,162 | - | (119,416,274) | 63 % | 96 % |
| Planning and development | 59,277,660 | (38,550,789) | 20,726,871 | - | - | 20,726,871 | 10,803,398 | - | (9,923,473) | 52 % | 18 % |
| Road transport | 152,142,873 | 149,586,692 | 301,729,565 | - | - | 301,729,565 | 192,331,936 | - | (109,397,629) | 64 % | 126 % |
| Environmental protection | - | 110,000 | 110,000 | - | - | 110,000 | 14,828 | - | (95,172) | 13 % | DIV/0 % |
| Trading services | 412,087,543 | 298,031,341 | 710,118,884 | - | - | 710,118,884 | 447,902,554 | - | (262,216,330) | 63 % | 109 % |
| Energy sources | 96,647,176 | 98,003,887 | 194,651,063 | - | - | 194,651,063 | 182,548,423 | - | (12,102,640) | 94 % | 189 % |
| Water management | 143,286,889 | 173,851,082 | 317,137,971 | - | - | 317,137,971 | 124,553,353 | - | (192,584,618) | 39 % | 87 % |
| Waste water management | 157,809,478 | 29,789,251 | 187,598,729 | - | - | 187,598,729 | 136,096,944 | - | (51,501,785) | 73 % | 86 % |
| Waste management | 14,344,000 | (3,612,879) | 10,731,121 | - | - | 10,731,121 | 4,703,834 | - | (6,027,287) | 44 % | 33 % |
| Other | 3,100,000 | (1,200,000) | 1,900,000 | - | - | 1,900,000 | 1,196,006 | - | (703,994) | 63 % | 39 % |
| Other | 3,100,000 | (1,200,000) | 1,900,000 | - | - | 1,900,000 | 1,196,006 | - | (703,994) | 63 % | 39 % |
| Total Capital Expenditure - Functional | 1,130,453,436 | 218,670,806 | 1,349,124,242 | - | - | 1,349,124,242 | 822,497,048 | - | (526,627,194) | 61 % | 73 % |
| Funded by: | | | | | | | | | | | |
| National Government | 953,483,000 | (82,814,000) | 870,669,000 | - | - | 870,669,000 | 552,627,256 | - | (318,041,744) | 63 % | 58 % |
| Provincial Government | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % |
| District Municipality | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % |
| Other transfers and grants | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % |

Mangaung Metropolitan Municipality
Appendix F4 to the Annual Financial Statements for the year ended 30 June 2019
Budgeted Capital Expenditure by vote, function and funding - Unaudited

2019

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---------------------------------------|----------------------|---|--------------------------|--|---|----------------------|--------------------|--------------------------|---|-------------------------------------|--|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Transfers recognised - capital | 953,483,000 | (82,814,000) | 870,669,000 | - | | 870,669,000 | 552,627,256 | | (318,041,744) | 63 % | 58 % |
| Public contributions & donations | 10,318,000 | 5,651,378 | 15,969,378 | - | | 15,969,378 | 10,574,850 | | (5,394,528) | 66 % | 102 % |
| Borrowing | 33,188,260 | - | 33,188,260 | - | | 33,188,260 | 22,001,165 | | (11,187,095) | 66 % | 66 % |
| Internally generated funds | 133,464,176 | 295,833,428 | 429,297,604 | - | | 429,297,604 | 237,293,777 | | (192,003,827) | 55 % | 178 % |
| Total Capital Funding | 1,130,453,436 | 218,670,806 | 1,349,124,242 | - | | 1,349,124,242 | 822,497,048 | | (526,627,194) | 61 % | 73 % |

Mangaung Metropolitan Municipality
Appendix F5 to the Annual Financial Statements for the year ended 30 June 2019
Budgeted Cash Flows - Unaudited

2019

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Final Budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|----------------------|---|-----------------------------|---------------------|----------------------|---|--|---|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Cash flow from operating activities | | | | | | | | |
| Receipts | | | | | | | | |
| Property rates & Service charges | 4,068,679,159 | 334,707,502 | 4,403,386,661 | 4,403,386,661 | 3,756,985,167 | (646,401,494) | 85 % | 92 % |
| Other revenue | 197,990,766 | 120,424,364 | 318,415,130 | 318,415,130 | - | (318,415,130) | - % | - % |
| Government grants | 2,039,423,549 | (194,573,942) | 1,844,849,607 | 1,844,849,607 | 2,000,543,002 | 155,693,395 | 108 % | 98 % |
| Interest | 127,699,543 | (94,530,480) | 33,169,063 | 33,169,063 | 307,956,414 | 274,787,351 | 928 % | 241 % |
| Dividends | - | - | - | - | 1,420 | 1,420 | DIV/0 % | DIV/0 % |
| Payments | | | | | | | | |
| Suppliers and employees | (5,310,807,112) | (1,160,309,854) | (6,471,116,966) | (6,471,116,966) | (5,372,623,011) | 1,098,493,955 | 83 % | 101 % |
| Finance charges | (154,499,293) | (47,804,087) | (202,303,380) | (202,303,380) | (130,154,494) | 72,148,886 | 64 % | 84 % |
| Transfers and Grants | (9,245,460) | 9,245,460 | - | - | (6,659,800) | (6,659,800) | DIV/0 % | 72 % |
| Net cash flow from/used operating activities | 959,241,152 | (1,032,841,037) | (73,599,885) | (73,599,885) | 556,048,698 | 629,648,583 | (756)% | 58 % |
| Cash flow from investing activities | | | | | | | | |
| Receipts | | | | | | | | |
| Proceeds on disposal of PPE | - | - | - | - | 1,870,753 | 1,870,753 | DIV/0 % | DIV/0 % |
| Decrease (Increase) in non-current debtors | 148,805,787 | 91,179,435 | 239,985,222 | 239,985,222 | - | (239,985,222) | - % | - % |
| Decrease (increase) other non-current receivables | - | - | - | - | 1,357,822 | 1,357,822 | DIV/0 % | DIV/0 % |
| Decrease (increase) in non-current investments | 9,823,325 | 870,170,502 | 879,993,827 | 879,993,827 | 53,265,198 | (826,728,629) | 6 % | 542 % |
| Payments | | | | | | | | |
| Capital assets | (1,022,908,652) | 2,052,851 | (1,020,855,801) | (1,020,855,801) | (597,917,570) | 422,938,231 | 59 % | 58 % |
| Net cash flow from/used investing activities | (864,279,540) | 963,402,788 | 99,123,248 | 99,123,248 | (541,423,797) | (640,547,045) | (546)% | 63 % |
| Cash flow from financing activities | | | | | | | | |
| Receipts | | | | | | | | |
| Short term loans | - | - | - | - | - | - | DIV/0 % | DIV/0 % |
| Borrowing long term/refinancing | - | - | - | - | - | - | DIV/0 % | DIV/0 % |
| Increase (decrease) in consumer deposits | (39,662,755) | 40,792,254 | 1,129,499 | 1,129,499 | (9,549) | (1,139,048) | (1)% | - % |
| Payments | | | | | | | | |
| Repayment of borrowing | (96,141,939) | (422,900) | (96,564,839) | (96,564,839) | (122,531,041) | (25,966,202) | 127 % | 127 % |
| | - | - | - | - | - | - | DIV/0 % | DIV/0 % |
| Net cash flow from/used financing activities | (135,804,694) | 40,369,354 | (95,435,340) | (95,435,340) | (122,540,590) | (27,105,250) | 128 % | 90 % |
| Net increase/(decrease) in cash held | (40,843,082) | (29,068,895) | (69,911,977) | (69,911,977) | (107,915,689) | (38,003,712) | 154 % | 264 % |